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United States Department of Agriculture

Rural Electrification Administration

Report of the Administrator

Fiscal Years 1982 and 1983

42°

COMPLETED

ORIGINAL

April 20, 1984

Honorable John Block
Secretary of Agriculture
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Mr. Secretary:

This report describes the activities of the Rural Electrification Administration during fiscal years 1982 and 1983 and complies with Section 10 of the Rural Electrification Act of 1936 as amended.

Respectfully submitted,

Harold V. Hunter

Harold V. Hunter
Administrator

FOREWORD

During fiscal years 1982 and 1983 REA continued efforts begun in 1981 to increase the internal strength and financial soundness of borrowers while searching for ways to [illegible] the costs of Government. It has been an interesting period. Growth in electrical energy requirements continues to be low. As a result, there is excess capacity available to meet the needs of REA electric borrowers. All construction activity has slowed, and retail rates rose 12.9 percent during FY 82. Deregulation of the telecommunications industry has brought about a number of changes, including considerably increased competition among independent telephone systems.

REA and the utilities it finances are caught up in the challenge to solve the Nation's economic ills. REA's response to this challenge has been to investigate carefully every aspect of REA programs to determine where savings can be effected while accomplishing the REA mission.

REA continues to carry out the policy first articulated in the 1940s that REA loan activities be conducted so as to help borrowers become independent, self-sufficient enterprises. The last two years saw progress in implementing this policy consistent with the goals of this Administration. As borrowers develop increased capability, REA's assistance will diminish accordingly.

Table of Contents

	Page	
Letter of Transmittal	ii	i
Foreword	iii	ii
Table of Contents	iv	
List of Illustrations	iv	
List of Tables	v	iii
Introduction	1	
Management	2	
Electric Program	27	
Telephone Program	51	

List of Illustrations

		Page
Fig. 1.	Percent of Farms with Electric and Telephone Service	7
Fig. 2.	Number of Consumers and Subscribers Served by REA Electric and Telephone Borrowers	8
Fig. 3.	Percent of Electric Consumers and Telephone Subscribers Served by REA Borrowers	9
Fig. 4.	Number of REA Borrowers	10
Fig. 5.	Cumulative REA and RTB Loans and REA Loan Guarantee Commitments	18
Fig. 6.	Rural Electrification and Telephone Revolving Fund Financial History	23
Fig. 7.	Interest Rate on REA Loans vs. Cost of Money to the Government	25

List of Tables

		Page
Table 1.	Statement of Financial Condition	11
Table 2.	Statement of REA Income and Expense	12
Table 3.	Loan Authorizations and Amounts Loaned	13
Table 4.	REA Loans to Electric and Telephone Borrowers, FY 83	14
Table 5.	REA Loan Guarantee Commitments and Rural Telephone Bank Loans, FY 83	15
Table 6.	Cumulative REA Loans to Electric and Telephone Borrowers	16
Table 7.	Cumulative REA Loan Guarantee Commitments and Rural Telephone Bank Loans	17
Table 8.	Principal and Interest Due on Debt Obligations of REA Borrowers, 1969-89	19
Table 9.	Payments of Principal and Interest on REA Loans	20
Table 10.	Loans, Advances, and Unadvanced Funds, 1979-83	21
Table 11.	Annual REA Administrative Obligations, 1936-1983	22
Table 12.	Rural Electrification and Telephone Revolving Fund, FY 73-83	24
Table 13.	Interest Rate on REA Loans vs. Cost of Money to the Government	26
Table 14.	REA Electrification Loans	28
Table 15.	REA Electric Loan Guarantees	29
Table 16.	Electric Fund Advances and Construction Progress	30
Table 17.	Cumulative Electric Repayments	30
Table 18.	Electrification Loans, Cumulative Figures	31
Table 19.	Electrification Construction, Cumulative Figures	32
Table 20.	Distribution System Characteristics	34
Table 21.	Electric Rates of REA Borrowers Compared with Rates of Other Utilities, January 1, 1983 and 1982	36
Table 22.	REA Deficiency Loans	37
Table 23.	REA Discretionary Loans	39
Table 24.	REA Approved Safe Harbor Leases	41-46
Table 25.	Percent of Subscribers by Grade of Service	51
Table 26.	Net Worth of Telephone Borrowers	52
Table 27.	Telephone Loans by State, FY 82	57
Table 28.	Telephone Loans by State, FY 83	58
Table 29.	Telephone Loan Guarantees	59
Table 30	Telephone Fund Advances and Construction Progress	59
Table 31.	Cumulative Repayments - REA Telephone Loans	60
Table 32.	Telephone Loans, Cumulative Figures	61
Table 33.	Telephone Construction, Cumulative Figures	62

INTRODUCTION

Fiscal years 1982 and 1983 have been devoted to making REA a better managed and stronger vehicle for administering the rural electrification and telephone programs. Achievements during these years include:

- Reorganization to streamline procedures, reduce redundancy and increase monitoring and control. The reorganization in the electric program has again provided borrowers with a single point of contact for further assistance and is making better use of field personnel as well as headquarters personnel.

- Explosion of the use of private capital in the rural electric program. Pollution control bonds and leveraged leases are being used. Safe harbor legislation provided a vehicle that attracted more than a billion dollars from the private sector which was used to reduce REA borrower obligations to the Federal Financing Bank (FFB).

- Negotiation of a new agreement with FFB so that rural utilities can have greater flexibility in their financing arrangements. REA systems borrowing from the FFB can choose one of three repayment plans: level principal payment, graduated principal payment, or equal interest and principal installments. Borrowers also can either commit themselves to a long-term interest rate or wait to see how interest rates are changing and exercise a rollover option every two years. Previously borrowers could roll loans over only during the first seven years of the typical 35-year loan period.

- Regulatory revisions to require that supplemental loans bear the same maturity and be repaid in the same manner as the concurrent REA loan.

- Requiring that repayments on new loans be made monthly instead of quarterly as was the case in the past. The more frequent payments will improve the cash flow of the Rural Electrification and Telephone Revolving Fund and encourage better cash management among borrowers. REA also reduced the principal deferment period from three years to two.

- Working with CPAs throughout the nation who audit borrower financial records to improve mutual understanding. Results of these meetings are expected to reduce time spent by REA auditing borrower records, eliminate duplication of work, and allow REA audits to be performed on a more frequent schedule.

USDA Audit. On August 15, 1983, the USDA Office of the Inspector General issued the first of two audit reports on the REA electric program, making recommendations for improvement. The reports are entitled Loan-Making Policies for Electric Distribution Cooperatives. To verify results of the first audit, REA asked for an expanded audit, which was completed during fiscal year 1984.

REA will take a number of steps to respond to these recommendations, including:

- reviewing procedures governing borrower use of general funds;

- restricting advance of loan funds to activities described in an approved workplan; and

- automatic termination of unadvanced loan funds about four years after loan approval, unless borrower can justify a longer period.

Further changes in response to the audit recommendations may be taken in the future.

MANAGEMENT

Reorganization. REA reorganized during 1982 to eliminate functional overlaps between offices, unnecessary fragmentation of work and excessive layers of review. The intent of the reorganization is to maintain the REA work force at a level strong enough to do necessary work without inordinate layering.

Organizational changes were implemented after extensive study of needs and responsibilities. As a result of the study, member data processing, community development, conservation, and OSHA assistance functions were reduced significantly in scope and combined with other functions. The insurance function also was reduced.

REA's internal agency accounting function and the borrower accounting activities were separated, creating a Borrower Accounting and Services Division. Because these functions are critical to the accomplishment of REA's mission, they now report directly to the Administrator. This new division is responsible for both electric and telephone program advisory and service functions: accounting and auditing, labor relations, civil rights, insurance, member relations and energy conservation. REA's intent is to make more thorough loan reviews and use the work of CPAs more extensively than in the past.

During 1983 REA held eight meetings with CPAs in various parts of the Nation to brief them on REA's needs. Part of this effort is to permit CPA firms to perform some of the nonloan-fund-audit tasks that were being performed by REA field accountants. Another part of the improvement includes changing the work expected of REA's field accountants. This change reflects the overall maturity of borrowers who no longer require detailed assistance in establishing accounting records.

A program analysis staff reporting directly to the Administrator was established. This analytical group has ensured timely evaluation of studies and analyses upon which the REA program direction is based.

The positions of field engineer and operations field representative were combined into a general field representative for each of the electric and telephone programs. The position combines management, loan, and engineering functions in these ways: providing guidance to borrowers on REA loan and engineering requirements, maintaining oversight of borrower management and engineering practices, responding to actual or potential loan security problems, and serving as on-site contact for all borrowers in a given territory.

All in all, the reorganization has included streamlining operations, cutting redundant processes, strengthening control over work, recognizing borrowers' declining need for detailed help, delivering better service when necessary, and targeting technical assistance where needed.

In the electric program, REA reestablished five area offices with full line responsibility for loan appraisal, operations, rate analysis, environmental review, power supply planning, procurement, contract negotiation, system planning, construction, and other engineering-related functions for distribution, transmission, and power supply. The power supply division was abolished and power supply personnel were transferred to area offices. A position of environmental specialist was established in each area office, and REA's environmental staff were reassigned to these positions. These moves established a single point of contact with borrowers and permit better utilization of personnel.

In the telephone program, centralized loan review was eliminated although central budgetary records and controls are maintained. Loan reviews and toll revenue projections will be performed in each area office in the future. Telecommunications engineering and standards work has been streamlined, and REA is attempting to lend the expertise of its telephone engineers in a more targeted way.

Management Planning. REA also developed a plan to integrate information necessary to accomplish the agency's mission. The plan emphasizes minimizing the paperwork burden on business, government and employees; minimizing the collection and retention of unneeded information; increasing the availability, usefulness, and productivity of information; enhancing its integrity, security and auditability; decreasing the cost of collecting and processing information; and improving service delivery and program management.

Part of this automation is to increase productivity and eliminate duplications and associated costs. Automated loan procedures permit REA to have up-to-the-minute loan application information. Nearly complete is the automation of financial requisition information about borrower requests for loan fund advances.

The application of data processing to this function will have a fourfold benefit:

a. Shorten processing time;

b. Provide immediate access to the status of requisitions;

c. Permit more efficient utilization of staff; and

d. Eliminate manual checking of arithmetic calculations.

In addition to improving the borrower information system, borrower statistical profiles and annual statistical reports, REA worked toward better directory information, loan statistics, unadvanced fund reporting, task tracking, and a computer-aided feasibility study. REA also is reducing the number and length of forms used by borrowers.

REA also changed its billing cycle for new borrowers from quarterly to monthly. This change will increase the flow of dollars to the Revolving Fund and consequently defer REA's need to borrow. Monthly billing applies to all loans approved beginning September 1, 1982.

During 1983 REA negotiated with the National Rural Utilities Cooperative Finance Corporation (CFC) about two potential changes: the types of lien accommodations REA makes for non-REA financing of borrower projects; and replacing at CFC's request the types of security on CFC's lien accommodations. Negotiations continue.

During FY 82 and 83 REA reduced the office space utilization rate per employee from 166 square feet to 136 square feet. The continued saving in 1984 is estimated to be approximately $160,000, which will increase to $270,000 in 1985 when rental rates increase.

Community Services. During 1983 REA surveyed the voluntary work of borrowers in helping their communities. A total of 483 borrowers reported assistance with water systems, health facilities, housing, business, industry and other community services in 1982. According to the survey, 881 directors, managers, and employees of borrowers were active members of community committees, organizations, and groups. Borrower employees assisted 630 local groups and were involved in 3,212 community service projects. Another 1,357 job-related projects were assisted in various communities which led to 48,354 direct jobs and 31,430 indirect jobs. The most frequent types of assistance offered were:

Type and Frequency of Job Assistance

1. Providing office and meeting space and clerical assistance;
2. Providing development, management, plant design and technical assistance;
3. Arranging financing; and
4. Obtaining industrial sites.

Accounting and Auditing. REA accountants are responsible for conducting accounting reviews and loan fund audits of borrower accounting procedures. The reviews are to determine the propriety of loan fund expenditures, evaluate the effectiveness of borrower internal controls, and review the adequacy of annual CPA audits. During FY 83 REA accountants completed 366 loan fund audits. Some 157 of the audits disclosed inadequate or incorrect documentation for $25.8 million in loan funds. Inadequate documentation, duplication of expenditures, and expenses not covered by REA financing were the main inadequacies.

REA accountants continue to advise borrowers about acceptable accounting systems since reliable information is essential to operational control, planning, forecasting, cash flow projections, loan security, and program appraisals. This responsibility is carried out primarily in the field with supervision and technical assistance by the Washington office. Washington staff accountants have as their primary responsibility the audit of generation and transmission system as well as telephone holding companies.

During FY 83 REA accountants visited 82 CPAs. The purpose of these visits was to inform CPAs better of REA needs with respect to loan fund audits. This is expected to allow REA to rely more in the future on the CPAs' professional expertise. Periodically REA reviews CPA working papers that support audit reports to determine whether the CPA is complying with REA audit requirements.

During FY 82-83 REA provided interpretations of statements issued by the Financial Accounting Standards Board and Federal and state regulatory commissions.

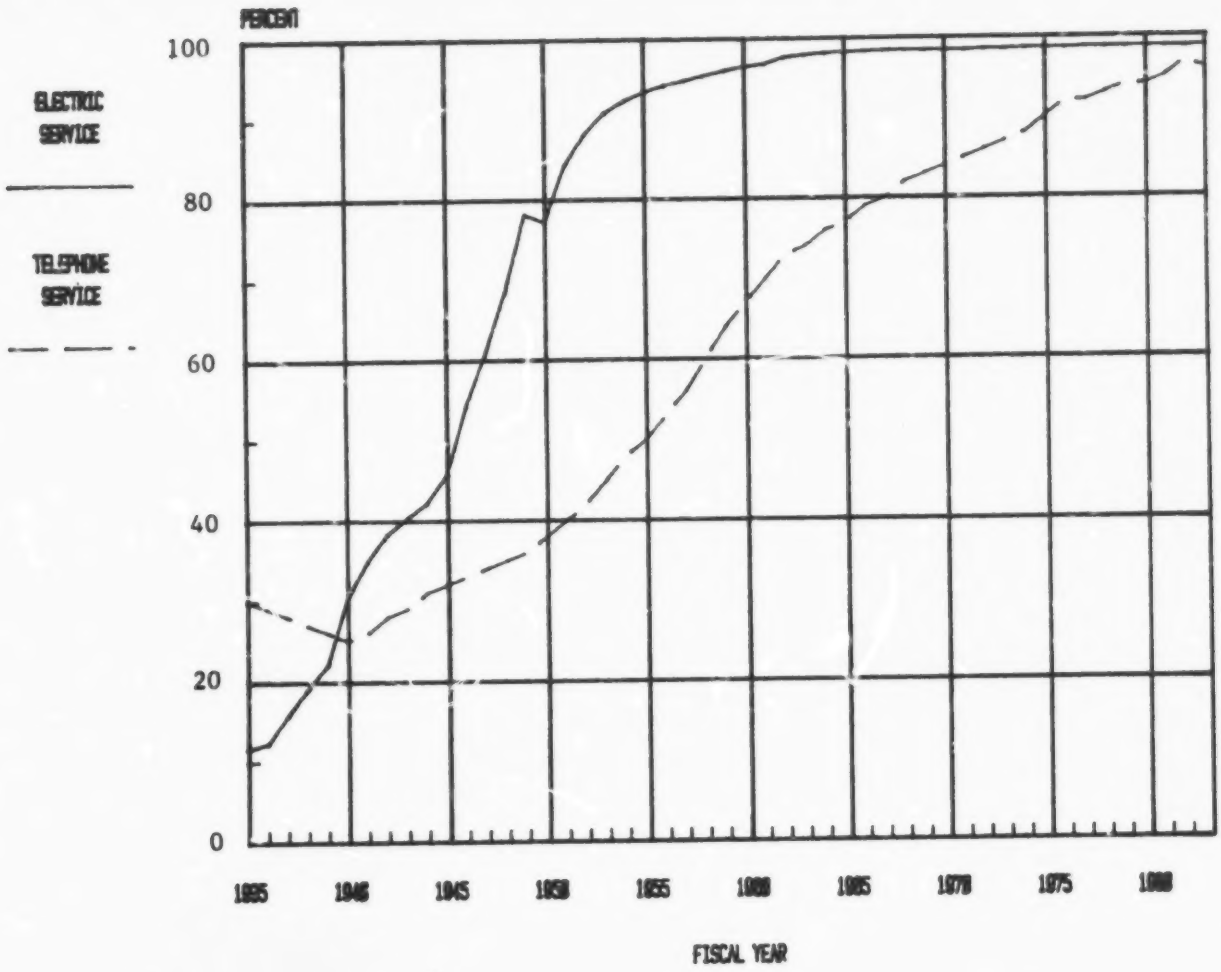
REA also assisted borrowers in evaluating insurance proposals. In representing the Government as mortgagee, REA sees that borrowers adhere to sound labor management policies. REA provides advice to help borrowers comply with applicable Federal, state, and local laws and regulations and provides information on employment practices and current wage developments. Borrowers generally have good relationships with employees and encourage stability in REA-financed operations. Borrowers also have established comprehensive safety programs to protect employees, customers, and the general public.

Civil Right. In FY 83 REA continued to achieve good results in promoting patronage of minority business enterprises by borrowers and in helping borrowers develop training and employment opportunities for minorities and women. REA also continued efforts to broaden outreach with minority organizations and institutions. REA has recommended a five-point civil rights plan to borrowers as a guide for future efforts in this area.

During FY 83 REA conducted 17 in-depth civil rights reviews and 18 modified reviews. REA also revised REA Form 266 "Compliance Assurance" to incorporate nondiscrimination on the basis of handicap and mailed the forms to borrowers. REA promoted its civil rights development program for cooperatives and telephone companies which provides the means for borrowers to comply with Title VI of the U.S. Code and related civil rights requirements and to strengthen their equal opportunity posture. Evidence indicates that this initiative is stimulating borrowers to greater achievements in civil rights and equal opportunity activities.

History. Over the years REA programs have been very successful. By the end of FY 83, 98.8 percent of all farms had electricity and 96 percent had telephone service. The historic pattern of providing this service is depicted in the following chart.

Figure 1. Percent of Farms with Electric and Telephone Service
U.S. Totals



The number of consumers and subscribers served also has increased. In the early years, this growth was due to service extended to households for the first time. More recently growth has been caused by rapid population increases in rural America, particularly "sunbelt" and western States. By the end of FY 83 the number of consumers served by REA electric borrowers was 10,096,500. The number of subscribers served by REA telephone borrowers was 4,545,600.

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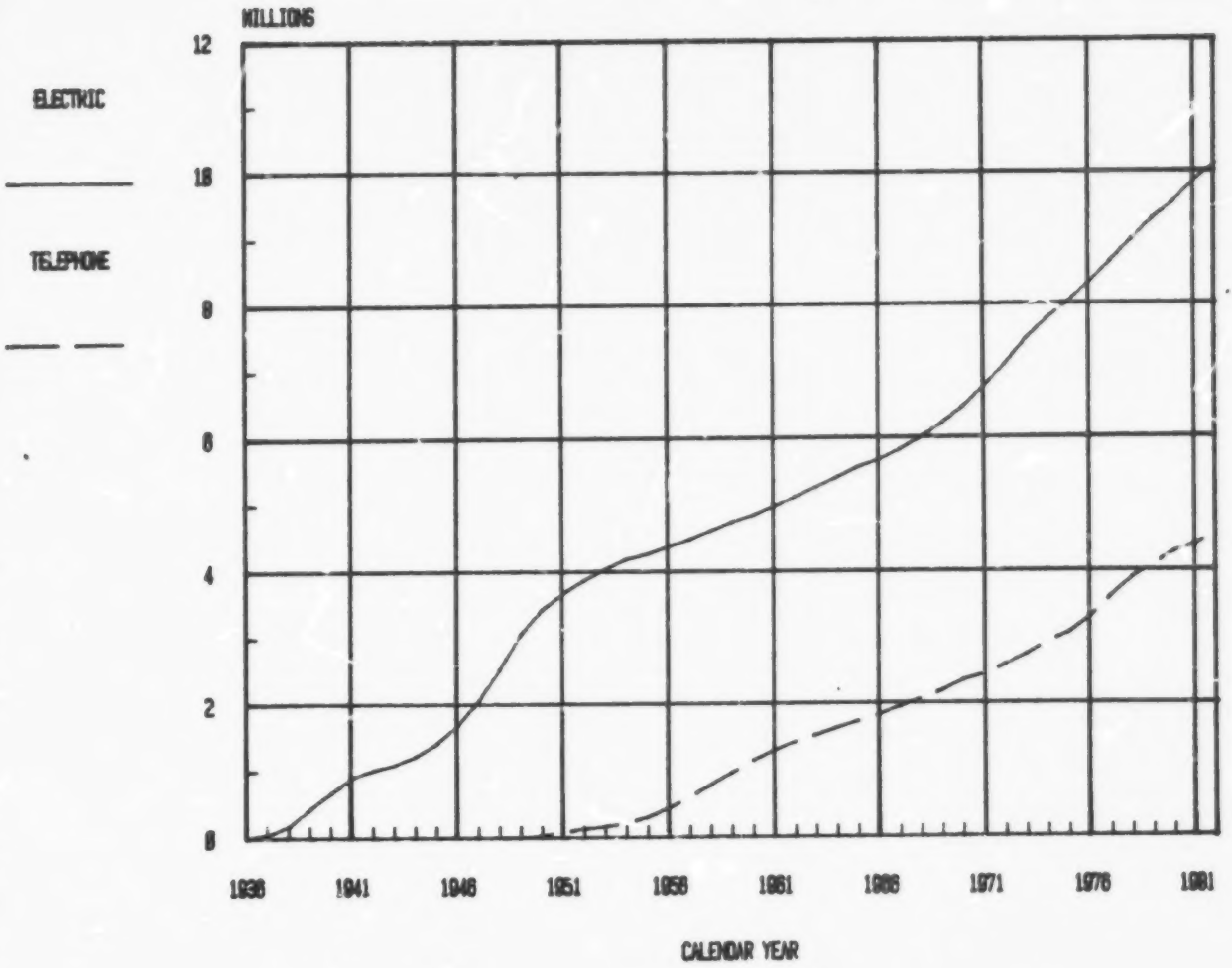
Figure 2. Number of Consumers and Subscribers Served by REA Electric and Telephone Borrowers



Overall, utilities that receive financing from REA have developed into strong business organizations although they are not large compared to investor-owned utilities. REA electric borrowers constitute 10.6 percent of the electric utility industry, and telephone borrowers constitute 4.8 percent of the telephone utility industry, as depicted in Figure 3.

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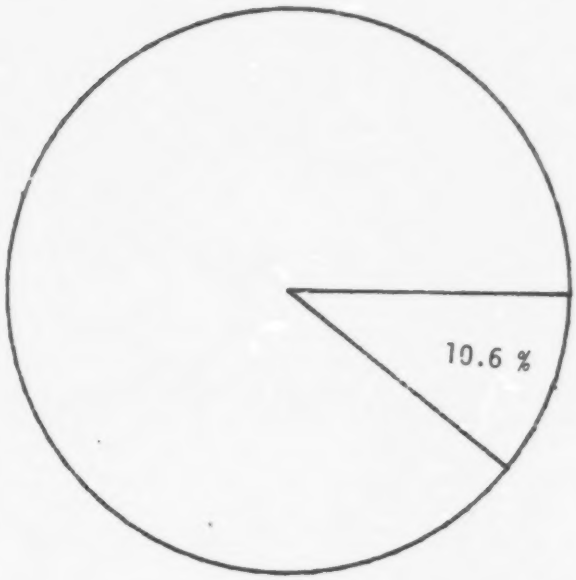
Figure 3. Percent of Electric Consumers and Telephone Subscribers Served by REA Borrowers

Electric Utility Industry
Million Consumers Served, 1982

Total 95.3
REA 10.1



REA Electric Borrowers

Telephone Utility Industry
Million Subscribers Served, 1982

Total 93.9 (est.)
REA 4.5

REA Telephone Borrowers

The number of electric borrowers has not changed much since about 1950. The small increase that has occurred during the last few years is due to the creation of new power supply systems wholly owned by REA distribution borrowers. In contrast, the number of telephone borrowers increased rapidly during the first 10-15 years of the program and continues to increase. This is due in large part to formerly non-REA telephone companies requesting

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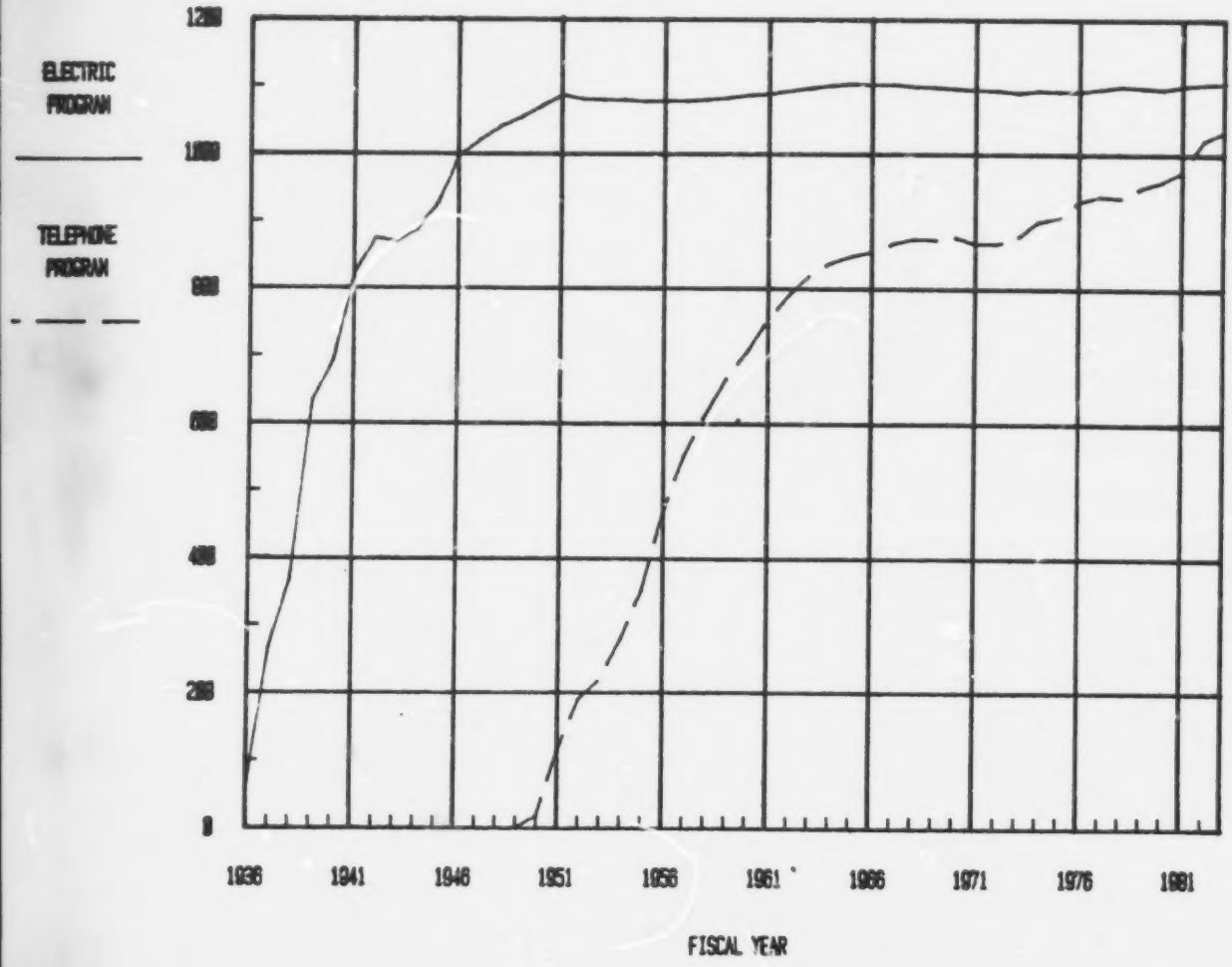
financial assistance to meet the demand for extending telephone service in rural areas. At the end of FY 83 REA electric borrowers numbered 1,106 and REA telephone borrowers numbered 1,034. The historic change in number of borrowers is shown in the following chart.

Figure 4. Number of REA Borrowers



REA's record of principal and interest collections has been excellent. At the end of FY 83 REA had collected more than $10.7 billion in principal and interest payments from its borrowers. Losses to date have amounted to only $44,478. Status of delinquencies as of September 30, 1983, are: REA electric borrowers, $991,259.47; REA telephone borrowers, $353,000.86; Rural Telephone Bank borrowers, $0.00; and Rural Communication Development borrowers, $393,120.61.

REA's financial condition is as indicated in the following tables.

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Table 1. Statement of Financial Condition
FY 82-83
($ in thousands)

Assets	1983	1982
Loans and Interest Receivable		
Loans a/ b/	$ 9,877,797	$ 9,773,663
Interest Accumulated	22,413	27,501
Interest Current	42,726	40,920
Accounts Receivable, REA Borrowers' Guaranteed Loan Installment Payments	1,883	12,864
	$ 9,944,819	$ 9,854,948
Less: Allowance for Possible Losses	30,140	28,256
Net Loans and Interest Receivable	$ 9,914,679	$ 9,826,692
Investment in Rural Telephone Bank	360,000	330,000
Cash on Deposit with U.S. Treasury	4,309	1,832
Miscellaneous Receivable	820	2
Equipment (Net of 513 & 483 Depreciation)	1,084	1,057
Total Assets	$10,280,892	$10,159,583
Liabilities and Government Equity		
Accounts Payable and Other Accrued Liabilities	$ 2,301	$ 1,976
Accrued (Unfunded) Liability for Annual Leave	1,865	1,836
Loans Payable to U.S. Treasury c/	7,864,742	7,864,742
Guaranteed Loans Paid before Due Date	4,702	0
Total Liabilities d/	$ 7,873,610	$ 7,868,554
Government Equity Net		
Net Appropriations		
Administrative Funds	$ 542,900	$ 514,866
Capitalization of Rural Telephone Bank	360,000	330,000
Loan Funds	142,620	142,620
Cost Paid by Treasury - Imputed Interest d/	1,535,818	1,228,654
Net Difference between Income and Expense	369,438	590,435
Net Administrative Expenses	(543,494)	(515,546)
Total Government Equity	2,407,282	2,291,029
Total Liabilities and Government Equity	$10,280,892	$10,159,583

a/ Not including advance payments by borrowers and certificates of beneficial ownership.
b/ Not including unadvanced loan commitments.
c/ Under section 302 of the Rural Electrification Act these loans are without interest.
d/ Imputed interest on loans. Does not include contingent liability of the REA guarantee program.

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Table 2. Statement of REA Income and Expense
Inception through 1983
($ in thousands)

Lending Operations

	Fiscal Year 1983	Fiscal Year 1982	Cumulative through 1983
Interest Income	$342,548	$326,813	$4,361,093
Expenses			
Interest Expense a/	561,660	528,453	3,961,471
Provision for Possible Losses on Loans	1,884	2,268	30,140
Losses on Foreclosed Loans	0	0	44
Total	$563,544	$530,721	$3,991,655
Net Difference (Loss)	$(220,996)	$(203,908)	$ 369,438

Administrative Operations

Net Salaries and Expenses Provided through Appropriations	27,948	27,754	543,494

a/ Interest was charged from inception to June 30, 1972, at statutory rates on outstanding loans to the Administrator from the Secretary of the Treasury for electrification and telephone purposes as required by Section 3(a) of the Rural Electrification Act. Effective June 30, 1972, no interest was due on outstanding loans made pursuant to that the section. However, beginning in 1979, imputed interest expense amounting to $307,164 is charged to operations each year until the related loans are paid. Interest on advances made under Section 304(a) since to June 30, 1972, is established on a monthly basis as set forth in the law. The interest rate on CBOs is determined at the time of purchase by the Secretary of the Treasury pursuant to Section 6(b) of the Federal Financing Bank Act of 1973.

The following loans were made during FY 82 and 83.

Table 3. Loan Authorizations and Amounts Loaned
FY 82-83
Cumulative Totals ($ in millions)

Item	Fiscal Year 1983	Fiscal Year 1982	Cumulative Net Total
Rural Electric Program			
Loan Authorizations under Congressional Appropriations Acts			$ 8,357
Loan Authorizations under Indefinite Authority of Rural Electrification Act	$850	$850	8,870
Total	850	850	17,227
Loans Approved	850	850	17,163 a/
Rural Telephone Program			
Loan Authorizations under Congressional Appropriations Acts			2,058
Loan Authorizations under Indefinite authority of Rural Electrification Act	251	250	2,492
Total	251	250	4,550
Loans Approved	251	249	4,517 a/

a/ Excludes recission of loans made in prior years.

Greater detail about REA loans and loan guarantee commitments is shown on the following tables.

Table 4. REA Loans to Electric and Telephone Borrowers, Fiscal Year 1983

	Electric Loans	Telephone Loans
UNITED STATES	$850,000,000	$250,758,000
Alabama	20,315,000	3,118,000
Alaska	3,910,000	9,207,000
Arizona	6,612,000	---
Arkansas	22,925,000	1,400,000
California	---	7,237,000
Colorado	40,143,000	---
Connecticut	---	---
Delaware	---	---
Florida	33,722,000	---
Georgia	25,958,000	18,156,000
Hawaii	---	---
Idaho	---	2,445,000
Illinois	28,266,000	---
Indiana	14,099,000	965,000
Iowa	25,080,000	4,614,000
Kansas	24,712,000	2,916,000
Kentucky	14,457,000	7,766,000
Louisiana	35,624,000	5,954,000
Maine	158,000	592,000
Maryland	---	---
Massachusetts	---	---
Michigan	3,580,000	5,917,000
Minnesota	19,843,000	5,237,000
Mississippi	25,131,000	3,458,000
Missouri	31,491,000	14,028,000
Montana	7,864,000	7,076,000
Nebraska	16,626,000	17,282,000
Nevada	6,037,000	2,368,000
New Hampshire	3,584,000	---
New Jersey	926,000	---
New Mexico	10,006,000	1,349,000
New York	---	977,000
North Carolina	24,334,000	4,147,000
North Dakota	37,013,000	---
Ohio	8,058,000	662,000
Oklahoma	45,224,000	3,000,000
Oregon	12,080,000	9,589,000
Pennsylvania	4,955,000	4,151,000
Rhode Island	---	---
South Carolina	28,962,000	---
South Dakota	21,505,000	12,805,000
Tennessee	10,275,000	337,000
Texas	154,398,000	26,694,000
Utah	---	11,472,000
Vermont	---	---
Virginia	22,044,000	---
Washington	8,618,000	4,278,000
West Virginia	336,000	7,978,000
Wisconsin	9,233,000	2,221,000
Wyoming	15,198,000	---
Puerto Rico	26,698,000	30,150,000
Guam	---	---
Micronesia	---	11,212,000

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Table 5. REA Loan Guarantee Commitments and Rural Telephone Bank Loans, Fiscal Year 1983

	REA Loan Guarantee Commitments		Rural Telephone Bank Loans
	Electric	Telephone	
UNITED STATES	$3,388,292,000	$53,949,000	$171,615,150
Alabama	20,485,000	---	9,740,850
Alaska	40,147,000	---	---
Arizona	---	---	---
Arkansas	189,500,000	---	---
California	---	---	791,700
Colorado	28,961,000	---	---
Connecticut	---	---	---
Delaware	---	---	---
Florida	---	---	12,575,850
Georgia	---	---	14,784,000
Hawaii	---	---	---
Idaho	---	---	5,702,550
Illinois	824,000,000	---	696,150
Indiana	---	---	5,540,850
Iowa	3,023,000	---	3,638,250
Kansas	30,000,000	---	458,850
Kentucky	---	---	3,305,400
Louisiana	645,000,000	---	8,047,200
Maine	---	---	11,375,700
Maryland	---	---	---
Massachusetts	---	---	---
Michigan	---	---	2,628,150
Minnesota	---	---	7,056,000
Mississippi	127,283,000	---	---
Missouri	---	---	8,271,900
Montana	4,629,000	---	123,900
Nebraska	---	---	6,155,100
Nevada	---	---	---
New Hampshire	111,000,000	---	2,205,000
New Jersey	---	---	---
New Mexico	---	---	3,134.250
New York	---	---	4,747,050
North Carolina	568,000,000	---	16,104,900
North Dakota	25,463,000	---	---
Ohio	---	---	---
Oklahoma	---	---	8,928,150
Oregon	---	18,228,000	4,297,650
Pennsylvania	200,000,000	35,721,000	2,058,000
Rhode Island	---	---	---
South Carolina	197,270,000	---	6,495,300
South Dakota	1,650,000	---	---
Tennessee	---	---	675,150
Texas	71,985,000	---	4,382,700
Utah	---	---	1,669,500
Vermont	27,420,000	---	309,750
Virginia	263,000,000	---	---
Washington	---	---	---
West Virginia	---	---	5,385,450
Wisconsin	---	---	8,866,200
Wyoming	9,476,000	---	1,463,700
Puerto Rico	---	---	---

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Table 6. Cumulative REA Loans to Electric and Telephone Borrowers, as of September 30, 1983

	Electric Loans	Telephone Loans
UNITED STATES	$17,210,757,821	$4,517,363,859
Alabama	358,086,311	119,791,064
Alaska	589,621,196	70,586,000
Arizona	153,095,419	32,615,000
Arkansas	564,013,473	77,480,326
California	66,278,950	76,139,614
Colorado	800,146,746	46,049,491
Connecticut	---	---
Delaware	29,758,881	---
Florida	452,176,849	37,662,463
Georgia	587,009,712	211,955,285
Hawaii	---	---
Idaho	114,748,683	26,883,453
Illinois	413,733,447	65,363,106
Indiana	342,025,723	94,920,558
Iowa	585,679,225	123,564,488
Kansas	462,839,828	152,717,574
Kentucky	774,216,180	214,776,000
Louisiana	493,738,909	85,981,118
Maine	21,588,765	23,040,473
Maryland	115,906,500	2,061,000
Massachusetts	---	1,835,000
Michigan	273,836,812	86,070,571
Minnesota	760,649,443	203,439,416
Mississippi	446,984,504	76,838,000
Missouri	915,609,832	167,673,842
Montana	236,317,495	146,004,601
Nebraska	439,068,854	98,638,977
Nevada	59,694,563	7,603,000
New Hampshire	61,601,884	11,337,000
New Jersey	10,712,660	14,295,000
New Mexico	250,888,517	120,345,000
New York	21,683,891	39,915,899
North Carolina	459,737,211	170,585,323
North Dakota	803,857,332	131,598,114
Ohio	312,427,543	24,955,571
Oklahoma	674,737,234	175,201,642
Oregon	228,709,749	54,685,641
Pennsylvania	172,452,329	69,610,321
Rhode Island	---	---
South Carolina	464,595,545	155,845,994
South Dakota	383,294,525	117,177,016
Tennessee	290,968,033	212,933,000
Texas	1,584,087,226	387,016,180
Utah	59,915,496	31,721,000
Vermont	48,121,918	4,785,000
Virginia	321,201,756	59,199,000
Washington	178,824,598	37,628,490
West Virginia	5,878,633	52,874,000
Wisconsin	411,122,125	219,731,248
Wyoming	212,975,191	12,138,000
Puerto Rico	192,888,000	115,677,000
Guam	---	37,206,000
V.I.	3,350,126	---
Micronesia	---	11,212,000

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Table 7. Cumulative REA Loan Guarantee Commitments and Rural Telephone Bank Loans As of September 30, 1983

	Electric	Telephone	Rural Telephone Bank Loans
UNITED STATES	$33,033,014,812	$673,647,000	$1,860,593,433
Alabama	295,358,000	11,934,000	62,903,400
Alaska	230,895,000	46,943,000	54,230,400
Arizona	337,679,000	62,839,000	94,785,233
Arkansas	913,153,000	35,744,000	47,320,560
California	---	10,396,000	43,321,950
Colorado	1,542,947,000	---	19,613,569
Connecticut	---	---	---
Delaware	---	---	---
Florida	1,114,869,000	47,626,000	47,712,000
Georgia	3,938,049,217	62,103,000	109,386,900
Hawaii	---	---	---
Idaho	130,000	---	10,542,000
Illinois	1,547,985,000	---	20,396,697
Indiana	2,021,484,000	---	22,552,950
Iowa	200,525,000	9,700,000	27,622,818
Kansas	787,147,000	20,440,000	44,273,457
Kentucky	2,970,111,000	28,840,000	42,186,900
Louisiana	3,967,381,000	13,925,000	39,913,650
Maine	---	1,875,000	27,777,750
Maryland	---	---	2,326,800
Massachusetts	---	---	519,750
Michigan	640,869,756	2,953,000	46,579,050
Minnesota	1,296,686,000	10,239,000	65,707,653
Mississippi	723,650,000	5,200,000	9,466,800
Missouri	1,049,505,586	43,970,000	52,834,950
Montana	10,398,000	---	3,857,700
Nebraska	---	---	25,822,650
Nevada	---	---	8,319,150
New Hampshire	186,250,000	---	13,609,050
New Jersey	---	3,084,000	18,234,300
New Mexico	341,380,000	---	3,134,250
New York	---	23,645,000	35,429,625
North Carolina	1,520,460,000	31,158,000	67,039,350
North Dakota	2,831,938,253	---	14,638,733
Ohio	72,110,000	---	3,511,200
Oklahoma	616,283,000	2,744,000	83,896,280
Oregon	70,751,000	18,228,000	42,448,350
Pennsylvania	606,408,000	78,968,000	163,422,000
Rhode Island	---	---	---
South Carolina	533,121,000	7,885,000	80,123,400
South Dakota	13,828,000	---	15,444,450
Tennessee	---	14,358,000	57,247,050
Texas	1,080,866,000	49,900,000	138,334,050
Utah	981,136,000	---	4,332,300
Vermont	50,726,000	---	8,037,750
Virginia	263,000,000	---	14,993,318
Washington	---	---	13,867,350
West Virginia	---	5,250,000	6,426,200
Wisconsin	260,359,000	23,700,000	128,774,190
Wyoming	15,576,000	---	7,675,500
Puerto Rico	---	---	---

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By the end of FY 83 borrowers had received more than $57.3 billion from REA loans, guarantee commitments, and RTB loans. The proportion of this financing is as indicated in the following chart.

Figure 5. Cumulative REA and RTB Loans and REA Loan Guarantee Commitments, as of September 30, 1983

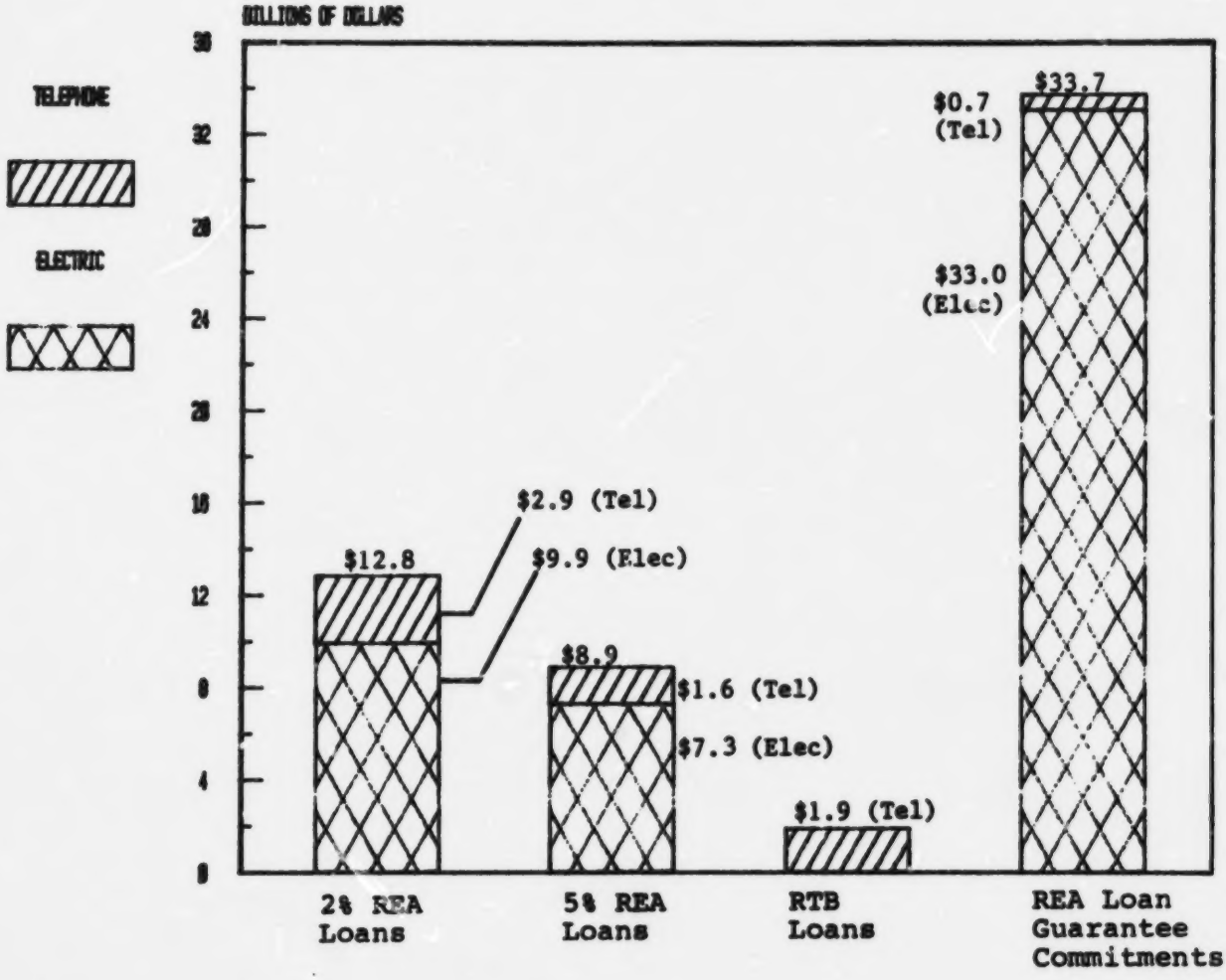

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Table 8. Principal and Interest Due on Debt Obligations of REA Borrowers, 1969-89 a/

Fiscal Year Ended	Electric Borrowers Amount Due ($ in thousands) Principal	Interest b/	Total	Telephone Borrowers Amount Due ($ in thousands) Principal	Interest b/	Total
09/30/89	375,600	569,500	945,100	110,100	129,500	239,600
09/30/88	358,200	502,800	861,000	105,000	114,300	219,300
09/30/87	346,800	480,000	826,800	101,600	110,000	211,600
09/30/86	335,100	452,000	787,300	98,000	102,800	200,800
09/30/85	332,700	423,100	755,800	95,500	95,500	191,000
09/30/84	327,900	393,400	721,300	91,500	86,900	178,400
09/30/83	318,905	377,999	696,904	86,292	81,126	167,418
09/30/82	310,125	351,295	661,420	82,040	74,531	156,571
09/30/81	298,381	316,830	615,211	74,677	65,842	140,519
09/30/80	285,104	278,711	563,815	71,396	58,173	129,569
09/30/79	268,321	245,893	514,214	65,068	50,975	116,043
09/30/78	251,029	220,802	471,831	61,362	47,282	108,644
09/30/77	231,562	192,105	423,667	57,436	42,758	100,194
09/30/76 c/	53,342	41,777	95,119	12,977	10,017	22,994
06/30/76	211,270	163,109	374,379	52,748	37,417	90,165
06/30/75	198,808	139,708	338,516	50,249	34,585	84,834
06/30/74	181,881	113,084	294,965	45,986	31,159	77,145
06/30/73	179,472	103,803	283,275	41,705	29,625	71,330
06/30/72	170,124	97,725	267,849	39,872	28,012	67,884
06/30/71	162,777	91,402	254,179	34,709	25,923	60,632
06/30/70	148,366	85,863	234,229	31,620	23,870	55,490
06/30/69	138,901	81,795	220,696	28,398	22,173	50,571

a/ Amounts due from 1969-1983 are based on debt service reports including amounts declared due and paid in full by borrowers ahead of schedule. Estimates for 1984 1980 are estimated on the basis of all funds under loan contract or pending.

b/ Reflects interest credit for payments in advance of due date.

c/ Includes transition quarter.

Table 9. Payments of Principal and Interest on REA Loans
Cumulative Totals in Millions
(includes notes paid in full)

Fiscal Year	ELECTRIC			TELEPHONE		
	Advance Payments*	Principal Due & Paid	Interest Due & Paid	Advance Payments*	Principal Due & Paid	Interest Due & Paid
1971.....	$317.1	$2,097.2	$1,205.0	$25.2	$262.3	$214.1
1972.....	293.5	2,267.4	1,302.8	25.2	302.2	242.1
1973.....	244.2	2,446.6	1,406.6	23.9	343.9	271.7
1974.....	192.5	2,628.6	1,519.6	20.6	389.8	302.9
1975.....	148.2	2,827.4	1,659.4	20.0	440.1	337.5
1976.....	125.6	3,038.3	1,822.5	19.4	492.8	374.9
1977.....	104.7	3,323.1	2,056.3	19.7	563.3	427.4
1978.....	93.9	3,574.1	2,277.1	21.4	624.6	473.7
1979.....	74.1	3,842.4	2,523.0	21.6	689.5	523.2
1980.....	67.0	4,127.5	2,801.7	21.3	760.4	578.5
1981.....	55.9	4,425.9	3,118.6	22.4	834.4	640.9
1982.....	48.5	4,736.0	3,469.9	27.0	935.5	710.6
1983.....	47.6	5,007.5	3,845.0	30.3	1,004.1	805.6

* Principal payments made ahead of schedule.

Table 10. Loans, Advances and Unadvanced Funds, Fiscal Years 1979-1983
(dollars in millions)

	1983	1982	1981	1980	1979
REA Electric Loans					
(a) Approved	$ 850.0	$ 850.0	$ 850.0	$ 925.0	$ 1,000.0
(b) Funds advanced	673.7	809.4	923.1	967.7	907.1
(c) Approved but unadvanced	1,504.1	1,334.4	1,293.8	1,367.1	1,401.3
REA Telephone Loans					
(a) Approved	$ 250.8	$ 249.3	$ 249.8	$ 250.1	$ 249.9
(b) Funds advanced	181.9	238.6	280.7	239.1	198.1
(c) Approved but unadvanced	741.8	678.5	677.9	719.1	713.5
Rural Telephone Bank Loans					
(a) Approved	$ 171.6	$ 184.8	$ 159.9	$ 160.0	$ 130.8
(b) Funds advanced	93.4	112.2	148.6	199.9	130.5
(c) Approved but unadvanced	547.5	474.9	413.1	408.4	448.8
REA Loan Guarantee Commitments Electric					
(a) Approved	$ 3,388.3	$ 5,064.6	$ 4,994.9	$ 5,660.1	$ 5,429.7
(b) Funds advanced	3,182.3	4,130.1	4,205.4	2,510.5	2,018.4
(c) Approved but unadvanced	12,878.1	13,831.7	12,946.8	12,114.0	9,423.8
REA Loan Guarantee Commitments Telephone					
(a) Approved	$ 54.0	$ 77.0	$ 136.4	$ 27.4	$ - 0 -
(b) Funds advanced	31.3	64.7	36.7	63.2	46.5
(c) Approved but unadvanced	216.7	281.1	270.7	171.1	207.1

Table 11. Annual REA Administrative Obligations, 1936 to 1983

Fiscal Year	Number of Borrowers: Electric Program	Number of Borrowers: Telephone Program	Cumulative Loan Funds Advanced ($ in 000's): Electric Program	Cumulative Loan Funds Advanced ($ in 000's): Telephone Program	Administrative Funds Obligated ($ in 000's): Electric Program	Administrative Funds Obligated ($ in 000's): Telephone Program	Person-years Employed a/: Electric Program	Person-years Employed a/: Telephone Program
1983 b/	1,095	1,001	15,706,706	3,775,527	14,557	13,422	343	319
1982	1,096	990	15,033,054	3,593,616	14,529	13,398	357	331
1981	1,095	976	14,223,625	3,355,041	14,499	13,338	372	346
1980	1,097	961	13,300,561	3,074,346	14,094	12,624	385	351
1979	1,093	951	12,332,895	2,835,241	12,993	11,713	377	347
1978	1,101	936	11,425,762	2,637,142	12,452	11,134	392	349
1976	1,093	918	9,813,780	2,284,760	10,851	9,702	413	363
1974	1,094	894	8,428,891	1,998,530	8,801	8,031	398	362
1972	1,094	867	7,293,975	1,754,097	8,706	7,683	433	388
1970	1,097	878	6,463,530	1,484,279	7,887	6,944	461	411
1968	1,100	874	5,734,078	1,242,999	7,026	5,621	497	401
1966	1,103	855	5,030,390	1,039,691	6,412	5,496	505	438
1964	1,102	838	4,451,823	876,695	5,920	5,109	505	445
1962	1,094	790	3,960,104	706,564	5,317	4,669	498	450
1960	1,087	705	3,580,884	501,262	4,717	4,789	487	502
1958	1,080	611	3,146,546	309,609	4,541	4,498	499	503
1956	1,078	466	2,755,236	153,808	4,346	3,727	546	468
1954	1,079	279	2,443,754	60,102	4,505	2,798	628	392
1952	1,080	190	2,054,592	7,797	6,631	1,584	696	214
1950	1,070	17	1,558,887	-0-	6,687	353	1,152	49
1948	1,039	-0-	950,942	-0-	4,818	-0-	929	-0-
1946	996	-0-	514,620	-0-	4,470	-0-	987	-0-
1944	887	-0-	387,631	-0-	2,549	-0-	646	-0-
1942	874	-0-	354,616	-0-	3,851	-0-	1,094	-0-
1940	692	-0-	221,287	-0-	2,710	-0-	785	-0-
1938	367	-0-	60,041	-0-	1,472	-0-	460	-0-
1936	66	-0-	823	-0-	670	-0-	206	-0-

a/ Includes legal staff employed by REA prior to 1942.

b/ Fiscal year 1983 administrative funds and person-years are estimated based on 1982 fiscal year activity.

The Rural Electrification and Telephone Revolving Fund. Each year since the fund was established in 1973 REA has paid out more in advances to borrowers and in interest than it has received in payments on loans.

The fund obtains the money necessary to meet advances and interest expenses from the U.S. Treasury either directly or through the Federal Financing Bank at rates of interest greatly in excess of the interest rates charged borrowers.

Figure 6. Rural Electrification and Telephone Revolving Fund Financial History

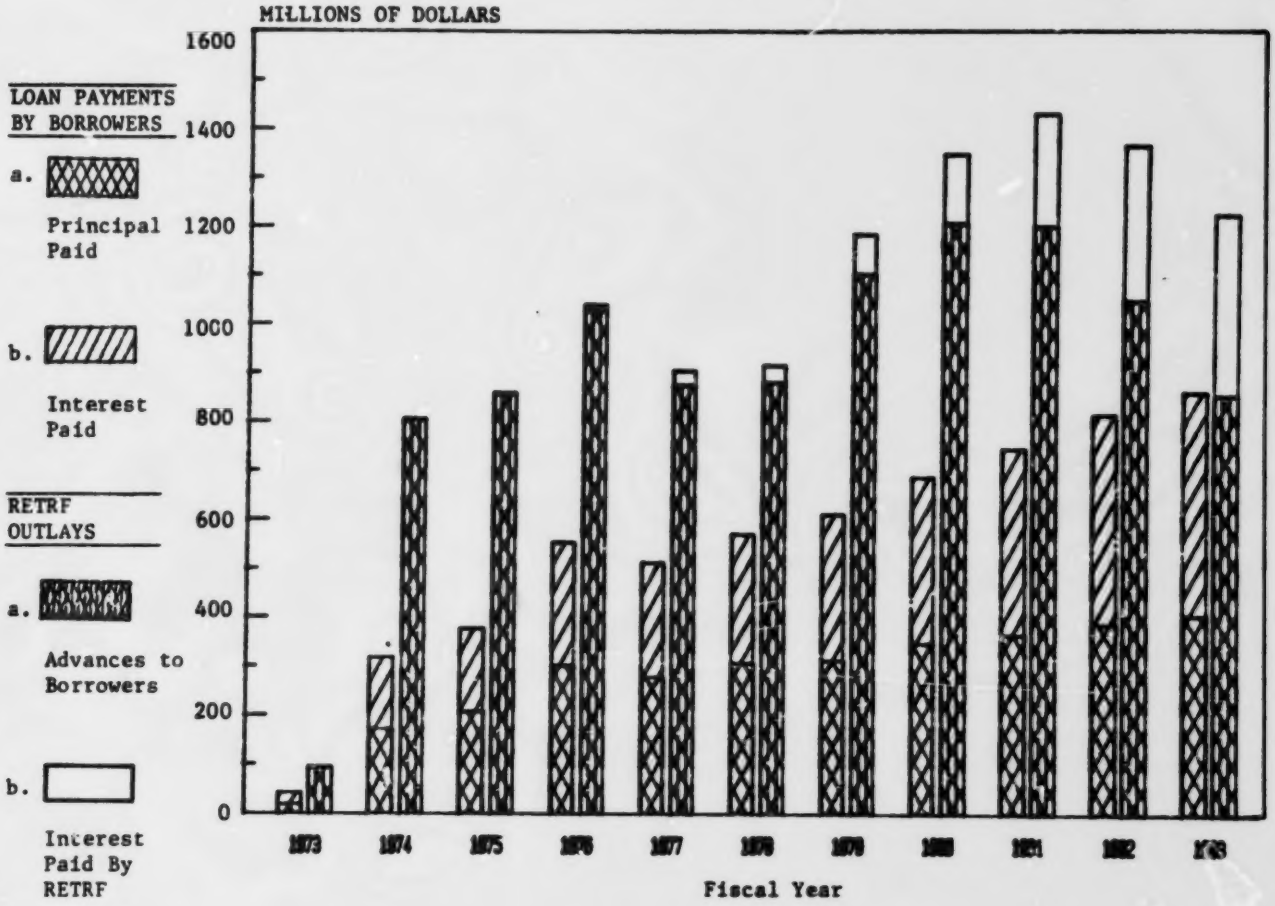

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Table 12. Rural Electrification and Telephone Revolving Fund
Fiscal Years 1973 - 1983

Fiscal Year	Interest Receipts a/	Interest Expenses Paid to Treasury: Treasury Borrowings	Interest Expenses Paid to Treasury: CBOs a/	Interest Expenses Paid to Treasury: Total	Net Revenue	Imputed Interest Costs b/	Net Revenue Less Imputed Interest
1973	133,428,697	--	--	--	133,428,697	235,548,253 c/	-102,119,556
1974	144,243,751	--	--	--	144,243,751	241,241,786 c/	-96,998,035
1975	174,293,050	--	--	--	174,293,050	268,091,114 c/	-93,798,064
1976 d/	252,321,548	4,569,307	6,844,193	11,413,501	240,908,047	348,360,664 c/	-107,452,617
1977	234,429,665	807,912	28,819,047	29,626,959	204,802,706	278,688,531 c/	-73,885,825
1978	268,089,987	3,955,240	32,936,796	36,892,036	231,197,951	307,163,595 c/	-75,965,644
1979	296,873,720	12,590,122	66,520,395	79,110,517	217,763,203	307,163,595	-89,400,392
1980	336,900,666	15,545,671	128,605,588	144,151,259	192,749,407	307,163,595	-114,414,188
1981	382,697,295	11,169,190	217,239,822	228,409,012	154,288,283	307,163,595	-152,875,312
1982	425,826,718	8,210,459	308,314,114	316,524,573	109,302,145	307,163,595	-197,861,450
1983	459,125,105	855,027	367,051,558	367,906,585	91,218,520	307,163,595	-215,945,075

a/ Includes interest received by REA as trustee for holders of CBO's and paid to Treasury.

b/ In 1978 GAO instructed REA to begin reflecting as interest expense the imputed interest costs attributable to outstanding REA notes payable to Treasury which were made liabilities of the revolving fund and noninterest bearing notes by the 1973 amendment to the Rural Electrification Act. This interest is called imputed since REA makes no payment of interest.

c/ These imputed interest costs were not reflected in the Budget Appendix for those years.

d/ Includes transition quarter.

When Congress created the REA loan program it did not provide an interest rate subsidy. Interest rates charged borrowers fluctuated with the cost of money to the Government. In 1944 Congress established a fixed interest rate of two percent, which at that time was the approximate cost of money to the Government. As time went by and interest rates rose, the subsidy associated with REA loans grew. During recent years there has been a widening of the gap between the cost of money to the Government and the interest rate charged borrowers on REA loans.

Figure 7. Interest Rate on REA Loans vs. Cost of Money to the Government

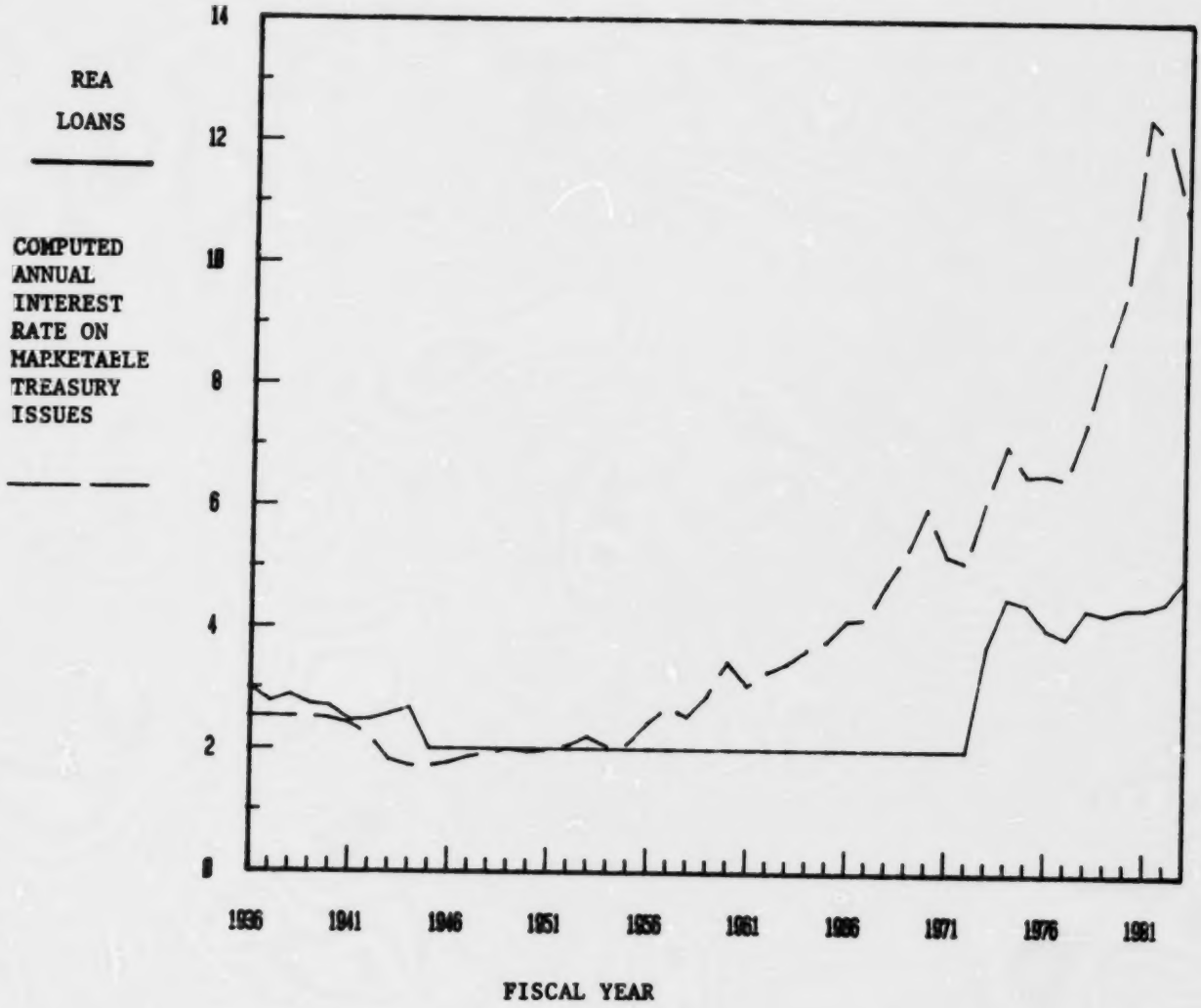

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Table 13. Interest Rate on REA Loans vs. Cost of Money to the Government

Fiscal Year	Interest Rate Paid by Borrowers on REA Loans*	Computed Annual Interest Rate On Marketable Treasury Issues**
1936	3.00	2.530
1937	2.77	2.525
1938	2.88	2.521
1939	2.73	2.525
1940	2.69	2.492
1941	2.46	2.413
1942	2.48	2.225
1943	2.57	1.822
1944	2.67	1.725
1945	2.00	1.718
1946	2.00	1.773
1947	2.00	1.871
1948	2.00	1.942
1949	2.00	2.001
1950	2.00	1.958
1951	2.00	1.981
1952	2.00	2.051
1953	2.00	2.207
1954	2.00	2.043
1955	2.00	2.079
1956	2.00	2.427
1957	2.00	2.707
1958	2.00	2.546
1959	2.00	2.891
1960	2.00	3.449
1961	2.00	3.063
1962	2.00	3.285
1963	2.00	3.425
1964	2.00	3.659
1965	2.00	3.800
1966	2.00	4.134
1967	2.00	4.165
1968	2.00	4.757
1969	2.00	5.232
1970	2.00	5.986
1971	2.00	5.210
1972	2.00	5.099
1973	3.72	6.129
1974	4.52	7.030
1975	4.42	6.533
1976	4.02	6.559
TQ	3.92	6.591
1977	3.88	6.481
1978	4.35	7.388
1979	4.27	8.592
1980	4.37	9.608
1981	4.38	12.435
1982	4.48	12.082
1983	4.90	10.850

*Weighted average interest rate on REA loans approved during the fiscal year.
**Source: Treasury Bulletin, U.S. Department of the Treasury.

ELECTRIC

Background. From 1935 through FY 83 REA approved $17.2 billion in direct insured electrification loans and an additional $33.0 billion in commitments to guarantee loans made by other lenders. Borrowers received $4.3 billion in long-term financing from sources without an REA guarantee and nearly $1.2 billion made available through provisions of the Economic Recovery Tax Act.

Loans. During FY 83, 291 insured electrification loans were approved totaling $850 million. There were also 25 commitments to guarantee loans amounting to $3.4 billion. During FY 82, 316 insured loans were approved totaling $850 million, and 26 commitments guaranteeing $5.1 billion from non-REA lenders.

Table 14. REA Electrification Loans

	FY 82			FY 83	
Locality	Number	Amount	Locality	Number	Amount
UNITED STATES	316	$850,000,000	UNITED STATES	291	$850,000,000
Alabama	10	11,838,000	Alabama	7	20,315,000
Alaska	9	46,564,000	Alaska	2	3,910,000
Arizona	1	4,406,000	Arizona	3	6,612,000
Arkansas	7	33,319,000	Arkansas	5	22,925,000
California	3	3,949,000	Colorado	11	40,143,000
Colorado	6	40,656,000	Florida	9	33,722,000
Delaware	1	3,875,000	Georgia	12	25,958,000
Florida	10	31,657,000	Illinois	10	28,266,000
Georgia	28	55,332,000	Indiana	9	14,099,000
Idaho	7	21,560,000	Iowa	15	25,080,000
Illinois	6	3,782,000	Kansas	7	24,712,000
Indiana	7	8,587,000	Kentucky	10	14,457,000
Iowa	13	18,066,000	Louisiana	5	35,624,000
Kansas	10	18,292,000	Maine	1	158,000
Kentucky	12	17,746,000	Michigan	3	3,580,000
Louisiana	3	34,763,000	Minnesota	15	19,843,000
Michigan	7	6,539,000	Mississippi	11	25,131,000
Minnesota	15	32,562,000	Missouri	14	31,491,000
Mississippi	8	30,117,000	Montana	7	7,864,000
Missouri	11	19,322,000	Nebraska	6	16,626,000
Montana	8	14,468,000	Nevada	2	6,037,000
Nebraska	8	34,898,000	New Hampshire	1	3,584,000
New Hampshire	1	4,799,000	New Jersey	1	926,000
New Mexico	5	10,314,000	New Mexico	5	10,006,000
New York	2	2,402,000	North Carolina	8	24,334,000
North Carolina	7	10,198,000	North Dakota	10	37,013,000
North Dakota	11	26,595,000	Ohio	7	8,058,000
Ohio	6	9,677,000	Oklahoma	12	45,224,000
Oklahoma	12	44,680,000	Oregon	7	12,080,000
Oregon	5	13,403,000	Pennsylvania	1	4,955,000
Pennsylvania	4	7,156,000	South Carolina	10	28,962,000
South Carolina	8	31,643,000	South Dakota	5	21,505,000
South Dakota	13	17,262,000	Tennessee	4	10,275,000
Tennessee	5	14,875,000	Texas	36	154,398,000
Texas	33	140,632,000	Virginia	7	22,044,000
Vermont	2	3,668,000	Washington	4	8,618,000
Virginia	3	5,435,000	West Virginia	1	336,000
Washington	2	5,684,000	Wisconsin	6	9,233,000
Wisconsin	5	6,051,000	Wyoming	1	15,198,000
Wyoming	2	3,228,000	Puerto Rico	1	26,698,000

Table 15. REA Electric Loan Guarantees

	FY 82			FY 83	
Locality	Number	Amount	Locality	Number	Amount
UNITED STATES	26	$5,064,594,000	UNITED STATES	25	$3,388,292,000
Alabama	1	4,000,000	Alabama	1	20,485,000
Alaska	1	9,400,000	Alaska	2	40,147,000
Arizona	1	38,900,000	Arkansas	1	189,500,000
Arkansas	1	29,865,000	Colorado	2	28,961,000
Colorado	2	58,244,000	Illinois	1	824,000,000
Georgia	1	1,800,000,000	Iowa	1	3,023,000
Illinois	2	258,300,000	Kansas	1	30,000,000
Indiana	1	133,000,000	Louisiana	1	645,000,000
Kansas	1	200,000,000	Mississippi	1	127,283,000
Louisiana	1	1,330,000,000	Montana	1	4,629,000
Michigan	2	220,000,000	New Hampshire	1	111,000,000
Minnesota	3	33,934,000	North Carolina	1	568,000,000
Missouri	1	7,875,000	North Dakota	2	25,463,000
North Carolina	1	7,000,000	Pennsylvania	1	200,000,000
North Dakota	1	623,000,000	South Carolina	1	197,270,000
Ohio	1	26,500,000	South Dakota	1	1,650,000
Oklahoma	1	62,500,000	Texas	2	71,985,000
Oregon	1	924,000	Vermont	2	27,420,000
South Carolina	1	10,152,000	Virginia	1	263,000,000
Texas	2	211,000,000	Wyoming	1	9,476,000

Table 16. Electric Fund Advances and Construction Progress

	Fiscal Year 1982	1983
Advances (insured loans)	$808,749,387	$673,651,908
Consumers connected (calendar year estimate)	252,129	256,000
Miles energized (calendar year estimate)	26,912	34,000
Kilowatt generating capacity financed (calendar year estimate)	22,909,952	24,596,997

Unadvanced insured electrification loan funds amounted to $1.5 billion as of September 30, 1983.

Table 17. Cumulative Electric Repayments

	Fiscal Year 1982	1983
Payments:		
Principal (including payments ahead of schedule)	$ 4,784,485,274	$ 5,102,466,867
Interest	3,469,870,794	3,847,869,993
Payments ahead of schedule	48,503,267	47,579,455
Payments overdue more than 30 days	--	--
Interest and principal lost on two foreclosures	$ 44,478	$ 44,478

Table 18. Electrification Loans
(Cumulative Figures)

Date	Total Insured Loans All Purposes a/	Long-Term Supplemental Loans b/	Loan Guarantee Commitments	Construction Authorized By Total Loans to Date: Miles of Line	Construction Authorized By Total Loans to Date: Consumers to be Served
1936 - 1963	$5,020,163,286			1,555,087	5,762,534
June 30, 1964	5,280,871,573			1,572,769	5,929,349
June 30, 1965	5,631,572,196			1,590,628	6,081,976
June 30, 1966	5,942,226,055			1,611,242	6,439,948
June 30, 1967	6,292,885,281			1,630,939	6,439,948
June 30, 1968	6,642,684,316	$ 62,000,000		1,772,866	6,637,276
June 30, 1969	6,985,363,485	62,000,000		1,660,552	6,737,301
June 30, 1970	7,329,418,562	62,000,000		1,681,825	6,908,440
June 30, 1971	7,690,458,056	74,774,000		1,699,683	7,113,261
June 30, 1972	8,128,458,056	243,170,000		1,772,866	7,412,054
June 30, 1973	8,746,398,057	350,408,100		1,756,889	7,858,579
June 30, 1974	9,364,746,057	884,373,000	$ 974,433,000	1,789,464	8,297,824
June 30, 1975	10,065,663,198	1,049,343,500	2,130,776,000	1,826,837	8,691,541
June 30, 1976	10,814,505,146	1,247,750,000	3,422,329,000	1,857,872	8,992,150
Sept. 30, 1977	11,843,244,646	1,526,088,308	7,811,694,000	1,889,603 c/	9,363,546 c/
Sept. 30, 1978	12,695,852,805	1,771,115,232	10,120,812,000	1,935,184	9,878,264
Sept. 30, 1979	13,743,204,822	2,059,865,340	15,550,489,000	1,971,249	10,310,990
Sept. 30, 1980	14,667,668,821	2,425,257,643	20,794,423,000	2,004,249	10,743,122
Sept. 30, 1981	15,517,468,822	2,930,690,643	25,787,839,000	2,036,370	11,124,452
Sept. 30, 1982	16,367,468,822	3,227,509,036	30,803,239,470	2,060,917	11,416,909
Sept. 30, 1983	17,210,757,822	4,323,016,968	33,033,014,812	2,094,917	11,672,909

a/ Comprised of REA direct and insured loans.
b/ Includes commitments for long-term financing from all sources other than REA direct and insured loan and loan guarantee programs.
c/ Reflects June 30 statistics.

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Table 19. Electrification Construction
(Cumulative Figures)

Date	Loan Funds Advanced to Borrowers REA Loans a/	Under Guarantee	Construction Completed b/ d/ Total Miles Energized	Total Consumers Served	Total mWh Sales c/ (Thousands)
1936 - 1963	$4,205,858,366		1,526,812	5,237,912	35,357,255
1964	4,451,822,854		1,547,143	5,386,088	39,836,854
1965	4,751,612,288		1,566,772	5,541,478	42,668,054
1966	5,030,390,048		1,586,502	5,652,844	48,439,056
1967	5,339,134,905		1,606,497	5,806,017	52,880,144
1968	5,734,077,563		1,627,445	5,986,140	58,303,933
1969	6,101,157,248		1,650,240	6,196,967	66,421,021
1970	6,463,530,118		1,676,001	6,442,332	76,009,289
1971	6,875,490,883		1,700,348	6,747,698	84,282,836
1972	7,293,974,951		1,732,545	7,076,249	93,534,163
1973	7,748,574,076		1,766,701	7,457,123	100,688,298
1974	8,428,574,076		1,797,525	7,767,813	105,690,807
1975	4,140,430,790	$ 249,237,000	1,827,896	8,017,654	112,669,814
1976	9,813,780,284	902,438,000	1,857,434	8,311,779	124,004,376
1977	10,689,455,578	2,287,307,219	1,890,173	8,630,818	131,547,776
1978	11,425,761,950	4,053,295,219	1,917,859	8,962,540	141,908,005
1979	12,332,895,522	5,741,699,219	1,950,394	9,275,086	150,055,226
1980	13,300,561,317	8,178,223,219	1,978,758	9,523,552	160,243,316
1981	14,223,624,965	12,148,594,761	2,009,504	9,844,319	167,687,587
1982	15,033,054,352	16,972,645,166	2,036,416	10,096,448	172,731,820
1983	15,706,706,260	19,285,946,383	2,070,416	10,352,488	176,741,820

a/ Includes advances on REA direct and insured loans.
b/ Calendar year figures.
c/ Excludes energy sales by one REA borrower to another.
d/ Includes financing from all sources.

Objectives. The objectives of the rural electrification program during the last two fiscal years have been to reduce overall federal assistance to borrowers, target assistance more closely to need, build borrower financial strength, and minimize regulation.

Here is a summary of administrative actions taken toward the accomplishment of these objectives:

- Gave distribution, subtransmission and related facilities priority in applications for insured loan funds;

- Eliminated financing of office facilities;

- Eliminated reimbursement for construction not in the current work plan;

- Required that borrowers maintain a higher times-interest-earnings ratio (TIER);

- Proposed changes in loan criteria and ratios of funding;

- Required new loan repayments on a monthly basis instead of quarterly;

- Reorganized staff to increase program monitoring and control and loan fund auditing;

- Required that supplemental loans bear the same maturity date and be amortized in the same manner as the REA concurrent loan;

- Reduced the principal deferment period on loans from three years to two; and

- Requested an expanded audit of the electric program to be used as a basis for reviewing internal procedures.

History. At the end of FY 82 REA had provided financing to a total of 1,105 rural electric borrowers in 46 States, Puerto Rico, and The Virgin Islands. Nine hundred ninety-two of these borrowers had loans outstanding to REA and were providing electric service to 9,960,379 consumers over 2,011,060 miles of line and were employing 55,258 full-time employees. Of the 992 active borrowers 931 operated distribution systems while 61 operated generation and transmission (G&T) systems.

Since 1948 the typical rural electric distribution borrower has more than doubled the number of miles of line operated and more than tripled the number of consumers served. At the end of FY 83 the typical electric distribution borrower maintained 1,856 miles of line and served 7,238 consumers.

The following table describes for REA borrowers the type of consumer, kilowatt hours sold and revenue reported for calendar year 1982.

Table 20. Distribution System Characteristics

Type of Consumer	Consumers	kWh Sold	Revenue
Residential, Farm and Non-Farm	90.6%	61.9%	64.5%
Commercial and Industrial, Small	6.8	8.1	9.0
Commercial and Industrial Large	0.6	24.4	20.5
Other	2.0	5.6	6.0
Total	100.0%	100.0%	100.0%

Financing. Effective June 1, 1983, REA policy on electric loan applications changed in three ways. The first way is that in the future borrowers may choose 20-, 25-, 30-, or 35- year loan terms. The borrower may also choose the repayment schedule: either level principal plus interest amortization or level payments of principal and interest. REA also reduced the principal deferment period on loans from three years to two. Loan terms and repayment methods apply to the supplemental loan as well as the REA loan.

REA has been considering adjustment of loan ratios and criteria. However, Congress added language to the Agriculture Appropriation Act which expressly directed REA to retain the ratios and criteria in effect July 1982 during FY 83. The President's budget request for FY 84 was based on a change in ratio. The recommended adjustment is based on measurements of financial health such as wholesale costs, retail costs, high line density (annual megawatts sold per mile of line, reflecting both sales and consumer density), and economic and other critria. The adustment would permit annual matching of loan demand with available funding. The special 90-10 ratio for formerly mandatory 2-percent-interest-rate borrowers would be eliminated. This approach could reduce REA financing to systems financially able to obtain progressively larger portions of their capital needs from the private sector. It also would encourage growth of equity and would not reward poor financial management.

During recent years the composite TIER level has reflected a slow but steady downward trend, except for 1982 which showed a slight upturn. Because of this trend REA has been placing loans under stop order in cases where the borrower did not realize a TIER of 1.5 for the most recent calendar year. In these cases the borrower is required to furnish a comprehensive budget and work plan that demonstrate how a satisfactory TIER will be realized in the near future. The borrower also must provide a plan of action that demonstrates a willingness to raise TIER levels in subsequent years. REA is working on a revision of the common mortgage and is considering the redefinition of TIER. One of the basic strengths of the G&T borrower is the composite financial strength of its distribution members. For this reason REA is trying to implement procedures and policies that will strengthen the financial condition of all borrowers.

REA is encouraging power supply borrowers to seek supplemental financing from non-REA sources. In developing financing arrangements for new generating plants, REA has asked borrowers to make maximum use of sales of tax-exempt pollution control bonds and leasing arrangements in lieu of a loan guarantee. A guarantee usually amounts to 25 to 30 percent of new plant costs. REA also believes a "credit elsewhere" test should be made prior to the loan guarantee process. Discussion is under way with supplemental lenders and financial

institutions to explore sources of funds to meet this objective.

Wholesale Power Costs. Overall, REA's borrowers have experienced a slowdown in demand for electricity during a period of increasing costs. A number of factors are involved. Oil costs have increased drastically, coal costs have nearly quadrupled, and gas is being withdrawn as a boiler fuel to save for home heating. The cost of nuclear power also increased dramatically. Environmental laws now require flue gas desulphurization and other costly plant additions that have raised construction costs. Borrower conservation brought about lower load growth, causing many borrowers to halt or delay construction. Other uncertainties have caused delays that stretch completion times and result in further interest costs during construction. All new generating plants coming on line are substantially higher in cost than previous ones.

Rates. During calendar year 1982, 427 REA distribution borrowers reported retail rate changes not related to purchased power cost and other cost flow-throughs. The changes meant an estimated annual increase of $434,919,323 and, in one case, a decrease of $585,640. REA has compared rates charged by REA borrowers with rates charged by other nearby utilities throughout the nation. As of January 1, 1983, nearly 69 percent of REA borrowers charged rates higher than nearby utilities. The percentage increase in rates during FY 82-83 is a key to member unrest for some borrowers.

Table 21. Electric Rates of REA Borrowers Compared with Rates of Other Utilities: January 1, 1983 and 1982

	REA is Higher		REA is Lower	
Northeast Area	1983	1982	1983	1982
Delaware	1	0	0	1
Indiana	6	5	35	36
Maine	4	3	0	1
Maryland	2	1	0	1
Michigan	13	13	0	0
New Hampshire	1	0	0	1
New Jersey	0	0	1	1
New York	0	0	4	4
North Carolina	19	7	9	21
Ohio	17	22	10	5
Pennsylvania	3	3	9	9
Vermont	1	0	1	2
Virginia	8	7	6	7
West Virginia	1	0	0	1
	76	61	75	90
Southeast Area				
Alabama	12	12	11	10
Florida	15	11	0	4
Georgia	41	29	1	14
Kentucky	26	26	0	0
Mississippi	10	12	13	11
South Carolina	12	2	8	18
Tennessee	23	23	1	1
	139	115	34	58
North Central Area				
Illinois	16	21	11	6
Iowa	37	22	11	26
Minnesota	30	22	18	26
North Dakota	11	3	10	18
South Dakota	11	10	21	22
Wisconsin	27	27	2	2
	132	105	73	100
Southwest Area				
Arizona	6	4	3	6
Arkansas	17	4	1	14
Louisiana	13	12	0	1
Missouri	23	11	18	30
New Mexico	9	6	7	9
Oklahoma	26	26	1	1
Texas	57	44	16	30
	151	107	46	91

	REA is Higher		REA is Lower	
Western Area	1983	1982	1983	1982
Alaska	12	13	2	1
California	1	1	3	3
Colorado	12	6	10	16
Idaho	6	6	3	3
Kansas	23	16	12	19
Montana	11	10	13	14
Nebraska	28	26	4	6
Nevada	1	0	5	6
Oregon	14	10	0	4
Wyoming	11	11	3	3
Washington	13	11	2	4
Utah	1	0	3	4
	133	110	60	83

*REA borrower rates compared with rates reported to the U.S. Department of Energy.

Generation Needs. Just as power costs, interest rates, and retail rates are rising, the economic pressures to conserve energy greatly changed load growth characteristics, making earlier studies, which had called for building numerous generating facilities, obsolete. The severity of this problem is demonstrated by the fact that a number of generation projects were terminated or delayed. Soyland Electric Power Cooperative received a guarantee of $824 million for a coal-fired plant that was subsequently cancelled. During FY 83 REA approved financing arrangements to cover costs associated with the termination of Soyland and the Black Fox nuclear station.

Deficiency loans accounted for a substantial portion of all guarantee commitments during FY 82-83. Causes of deficiencies included licensing and construction delays, inflation of material and labor costs, changes in regulations, unforeseen construction restrictions, increases in interest costs during construction, and changes in original project design.

In FY 83 a guarantee of $263 million was made to Old Dominion Electric Power Cooperative for a 204-megawatt share in Virginia Electric Power Company's North Anna nuclear plant. New coal-fired generation was funded for North-East Texas Electric Cooperative with a guarantee of $71.5 million for a 75-megawatt share in the Pirkey plant. KAMO Electric Cooperative received a guarantee of $189.5 million for a 198-megawatt share in the Grand River Dam plant.

Distribution borrowers that obtained additional generation loans during FY 82-83 included three in Alaska: Chugach Electric Association to complete the Beluga and Bernice Lake projects, Glacier Highway Electric Association to relocate and house a diesel electric set, and Matanuska Electric Association for generating facilities at Unalakleet. Washington Electric Cooperative in East Montpelier, Vermont, also received a $3.2 million guarantee to install a 1,025-kilowatt hydroelectric unit in an existing dam.

Discretionary Loans. REA approved 12 loans, made at the discretion of the Administrator, as requested by borrowers during FY 82-83. The principal reasons for the loans were severe storm damage, threatening operational problems, and already high retail rates in economically distressed localities. Discretionary loans made at five-percent interest cover the full cost of the project proposed with no supplemental financing. Discretionary loans made at two-percent interest require supplemental financing from another source for at least ten percent of the project.

Table 22. REA Discretionary Loans

State	Borrower	Amount	Interest Rate
	FY 83		
Alaska	Matanuska Electric Association	$ 1,240,000	5%
Arizona	Papago Tribal Utility Authority	$ 787,000	2%
Illinois	Illinois Valley Electric Cooperative	$ 3,966,000	5%
Maine	Swan's Island Electric Cooperative	$ 158,000	2%
Montana	Hill County Electric Cooperative	$ 118,000	2%
North Dakota	McLean Electric Cooperative	380,000	2%
North Dakota	Verendrye Electric Cooperative	$ 1,240,000	2%
Puerto Rico	Puerto Rico Electric Power Authority	$ 15,629,000	5%
	FY 82		
Alaska	Kodiak Electric Association	$ 337,000	5%
Alaska	Tlingit-Haida Regional Electrical Authority	$ 639,000	2%
Idaho	Prairie Power Cooperative	$ 575,000	2%
New Mexico	Mora-San Miguel Electric Cooperative	$ 1,318,000	5%

Supplemental Financing. During FY 83 non-REA lenders provided power supply borrowers with $1.032 billion in long-term funding. Of this amount about $369 million was derived from the sale of pollution control revenue bonds. Another $137 million resulted from leveraged lease arrangements in which borrowers leased facilities instead of financing them through an REA loan.

The continuation of "safe harbor" leasing in accordance with the Economic Recovery Tax Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982 enabled eligible borrowers to sell tax benefits associated with more than $1.5 billion in plant investment. These leases provided $526 million in non-REA financing, and the remaining funds were applied to indebtedness owed the Government or in lieu of future REA loan fund advances. The leases improved borrowers' equity position and reduced demand for financing under the loan guarantee program.

Since November 1981 REA approved 43 safe harbor leases whose tax benefits cooperatives were able to sell to corporations. The leases covered $3.9 billion in assets and are shown in the following table.

Table 23. REA Approved Safe Harbor Leases

FY 82

Cooperative & Closing Date	Facility	Cooperative's Adjusted Basis (Amount Sold)	ACRS[1]	Buyer	Amount Received	Credit Support[2]
Basin ND 45 11-10-81	42.27 percent of Laramie Unit 2 and Transmission	$185,076,670.56	15/5	General Electric Company	$ 34,868,574.28	N/A
Tri-State CO 47 11-10-81	24.13 percent of Laramie Unit 2 and Transmission	$115,639,410.20	15/5	General Electric Credit Corporation	$ 14,454,926.28[3]	N/A
Hoosier IN 106 2-17-82	Merom Unit 2	$283,926,000.00	15/5	J.C. Penney Company, Inc.	$ 85,396,417.72	N/A
Hoosier IN 106 2-17-82	Merom Station Common Facilities	$124,660,000.00	15/5	Amoco Tax Leasing IV Corporation (Amoco Oil)	$ 40,293,324.20	N/A
Hoosier IN 106 2-17-82	Transmission	$ 19,849,000.00	15/5	Amoco Tax Leasing IV Corporation (Amoco Oil)	$ 4,952,312.52	N/A
Oglethorpe GA 109 4-7-82	Scherer Unit 1	$100,000,000.00	15/5	Continental Telephone Corporation	$ 17,572,950.00	N/A
Oglethorpe GA 109 4-7-82	Scherer Unit 1	$180,000,000.00	15/5	National Service Industries, Inc.	$ 31,500,000.00	N/A
Oglethorpe GA 109 4-7-82	Scherer Unit 1	$100,000,000.00	15/5	Rollins, Inc.	$ 17,500,000.00	N/A

Safe Harbor Leases

Cooperative & Closing Date	Facility	Cooperative's Adjusted Basis (Amount Sold)	ACRS[1]	Buyer	Amount Received	Credit Support[2]
Sho-Me MO 59 4-28-82	Transmission	$ 2,707,000.00	15	Potomac Leasing Company (Dana Corp.)	$ 412,939.50	N/A
Western Farmers OK 32 4-30-82	Hugo Plant Transmission	$366,458,380.00	15/5	Phenix Leasing Corporation (Dart and Kraft)	$ 83,186,052.26	CFC
Western Farmers OK 32 4-30-82	Railroad Cars	$ 8,020,000.00	15/5	Phenix Leasing Corporation (Dart and Kraft)	$ 2,061,140.00	CFC
Associated MO 73 5-28-82	Thomas Hill Unit 3	$100,000,000.00	5	General Mills Inc.	$33,072,600.00	CFC
Associated MO 73 5-28-82	Coal Prep. Plant	$ 25,872,711.00	5	General Mills Inc.	$10,090,357.29	CFC
Associated MO 73 6-16-82	Thomas Hill Unit 3	$182,015,166.40	5	CBS Inc.	$55,605,616.23	CFC
Associated MO 73 6-30-82	Thomas Hill Unit 3	$52,806,046.53	5	Southern Living Real Estate, Inc.	$16,615,950.61	CFC
Associated MO 73 6-30-82	Thomas Hill Unit 3	$20,000,000.00	5	FlightSafety International Inc.	$ 6,293,200.00	CFC
Basin ND 45 7-30-82	Saskatchewan Intertie	$26,840,280.85	5	Bendix Leasing Corporation	$ 6,495,347.97	LOC

Safe Harbor Leases

Cooperative & Closing Date	Facility	Cooperative's Adjusted Basis (Amount Sold)	ACRS[1]	Buyer	Amount Received	Credit Support[2]
Basin ND 45 8-27-82	Sunflower Seed Hulls Project[4]	$6,344,488.35	5	General Mills, Inc.	$ 2,537,779.34	LOC
Sunflower KS 53 9-3-82	Transmission Mingo to SETAB	$ 15,475,330.00	15	Potomac Leasing Company (Dana Corp.)	$ 2,543,907.42	LOC
Basin ND 45 9-13-82	AVS Transmission	$ 44,188,036.61	5	General Mills, Inc.	$16,349,573.55	LOC
Basin ND 45 9-17-82	42.27 Percent of Laramie Unit 3 Turbine and Boiler	$126,869,586.92	5	General Mills, Inc.	$52,968,052.53	LOC
Tri-State CO 47 9-17-82	24.13 Percent of Laramie Unit 3 Turbine and Boiler	$ 73,579,053.41	5	Norfolk and Western Railway Company	$26,130,872.99	N/A
Colorado-Ute CO 46 9-20-82	Transmission	$ 14,189,479.00	15/5	Norfolk and Western Railway Company	$ 2,583,620.30	CFC
Hoosier IN 106 9-24-82	Merom Unit 1 Turbine and Boiler	$203,586,000.00	15/5	J.C. Penney Company, Inc.	$65,676,511.49	N/A
Subtotal FY 1982:		$2,378,102,639.83			$629,162,026.48[1]	

FY 83

Safe Harbor Leases

Cooperative & Closing Date	Facility	Cooperative's Adjusted Basis (Amount Sold)	ACRS[1]	Buyer	Amount Received	Credit Support[2]
UPA MN 107 10-12-82	Stanton Supplemental Boiler	$ 42,099,345.00	5	Atlantic Richfield Company	$15,826,385.00	CFC
Colorado-Ute CO 46 12-9-82	Transmission	$ 21,671,000.00	15/5	Norfolk and Western Railway Company	$ 4,222,495.00	CFC
UPA MN 107 12-10-82	Stanton Supplemental Boiler (scrubber)	$ 6,661,744.00	5	Atlantic Richfield Company	$ 2,325,226.65	CFC
Sunflower KS 53 12-21-82	Transmission	$ 17,522,693.00	15	Potomac Leasing Company (Dana Corp.)	$ 3,241,698.21	LOC
Oglethrope GA 109 12-21-82	Distribution Subs. and Transmission	$ 1,200,000.00	5	Selig Enterprises, Inc.	$ 210,000.00	N/A
Seminole FL 41 12-29-82	Coal Handling Equip. and Transmission	$ 56,276,561.00	5	Atlantic Richfield Company	$19,907,833.00	CFC
Arkansas Elec. AK 34 12-29-82	35 percent of Independence Unit 1 Turbine and Boiler and Coal Handling	$113,559,129.00	5	Atlantic Richfield Company	$43,175,363.00	CFC
Deseret UT 21 12-30-82	Mining Equipment[4]	$ 14,269,834.00	5	Altec Industries, Inc.	$ 3,951,201.00	CFC

Safe Harbor Leases

Cooperative & Closing Date	Facility	Cooperative's Adjusted Basis (Amount Sold)	ACRS[1]	Buyer	Amount Received	Credit Support[2]
Deseret UT 21 12-30-82	Bonanza Plant Equipment	$ 25,505,743.95	5	Atlantic Richfield Company	$ 7,971,481.81	CFC
Allegheny PA 27 2-11-83	Susquehanna Nuclear Unit 1 Boiler and Turbine	$ 49,640,256.00	5	Atlantic Richfield Company	$16,247,053.00	CFC
Western Farmers OK 32 5-11-83	Hugo Plant	Upgrade to five year ACRS deduct.	5	Phenix Leasing Corporation (Dart and Kraft)	$29,969,292.46	CFC
Basin ND 45 5-27-83	AVS Unit 1 Turbine and Boiler	$104,845,634.77	5	General Mills Inc.	$44,559,394.78	LOC
Basin ND 45 5-31-83	AVS Unit 1 Turbine and Boiler	$ 50,000,000.00	5	D-A Lubricant Company Inc.	$20,000,000.00	LOC
Seminole FL 41 6-25-83	Seminole Unit 1 Turbine and Boiler	$330,000,000.00	5	Eastman Kodak Company	$91,520,419.50	CBC
Cajun LA 30 6-30-83	Big Cajun 2 Unit 3 Turbine and Boiler	$ 30,000,000.00	5	The Clorox Company	$11,289,526.20	NOBC
Cajun LA 30 7-7-83	Big Cajun 2 Unit 3 Turbine and Boiler	$161,569,250.00	5	Eastman Kodak Company	$44,000,000.00	NOBC
Basin ND 45 7-14-83	AVS Unit 1 Turbine and Boiler	$100,000,000.00	5	J.C. Penney Company, Inc.	$38,450,000.00	N/A

Safe Harbor Leases

Cooperative & Closing Date	Facility	Cooperative's Adjusted Basis (Amount Sold)	ACRS[1]	Buyer	Amount Received	Credit Support[2]
Basin ND 45 8-16-83	AVS Unit 1 Turbine and Boiler	$250,000,000.00	5	J.C. Penney Company, Inc.	$95,125,000.00	N/A
Sunflower KS 53 9-9-83	Holcomb Unit 1 Turbine and Boiler	$156,540,624.00	15/5	General Electric Company	$34,438,937.28	WBC
Subtotal FY 1983:		$1,531,361,814.72			526,431,306.89	

TOTALS TO DATE

	Amount Sold	Amount Received
FY 1982:	$2,378,102,639.83	$ 629,162,026.48
FY 1983:	$1,531,361,814.72	$ 526,431,306.89
Grand Total:	$3,909,464,454.55	$1,155,593,333.37

FOOTNOTES

[1]Accelerated Cost Recovery System:
5 = 5 year ACRS deductions
15 = 15 year ACRS deductions
15/5 = 15 year ACRS deductions with right to prove 5 year is available.

[2]Third Party Credit Support:
N/A = none
CFC = CFC guarantee with lien accommodation
LOC = Letter of credit from Citibank, or a surety bond.
CBC = Letter of credit from the Columbia Bank for Cooperatives
NOBC = Letter of credit from the New Orleans Bank for Cooperatives
WBC = Letter of credit from the Wichita Bank for Cooperatives

[3]Plus deferred payments of $34,693,037.27

[4]Financed from non-REA sources.

Environment. Due to the downturn in power needs and ample fuel supplies, development of supplemental energy sources has slowed. As a result, fewer major projects have been proposed. In FY 82 REA inspected only three prospective generation plant sites and conducted only three public scoping meetings. During this year REA issued three draft environmental impact statements covering 450 megawatts of generating capacity and 220 miles of transmission line. Six final environmental impact statements were completed covering 1,100 megawatts of generating capacity and 525 miles of transmission line. One supplemental environmental impact statement was completed. REA also prepared environmental assessments and issued findings of no significant impact on 48 transmission projects involving 1,215 miles of line and eight generation projects with 5,570 megawatts of capacity.

During FY 83 REA developed and reviewed strategies to streamline the environmental review process under the National Environmental Policy Act. A proposed rule to amend REA's procedures was issued.

To encourage the participation of Federal agencies in REA's environmental review and comply with Council on Environmental Quality regulations, REA held six interagency meetings and inspected jointly with other agencies eight generation plants and transmission corridors. REA also conducted eight public scoping meetings. Two draft environmental impact statements were issued covering 395 miles of transmission line. One final environmental impact statement was completed, and two supplemental ones were prepared. In FY 83 seven generation projects with a capacity of 4,090 megawatts and associated transmission and mining facilities were under review. REA also completed environmental reviews: a nuclear generation project, a lignite generation project, and a 1,500-megawatt project involving 240 miles of transmission line.

Due to increased costs, REA reviewed and approved additional financing for four nuclear generating facilities involving borrower ownership of 1,645 megawatts. There was also substantial activity in the construction or upgrading of medium- and low-voltage transmission lines and substations and short high-voltage lines for which detailed investigations were required. During the year 27 projects involving 1,051 miles of transmission line, 23 substations, and 244 megawatts of electric generation were approved. REA borrowers were involved in the construction of approximately 30,000 miles of underground and overhead distribution lines, a number of which required line rerouting and other mitigation activities.

Load Management. The objective of load management is to alter the pattern of electricity use to make the most economic use of generation, transmission and distribution systems. Aspects of effective load management might shift fuel dependency from limited to abundant energy sources, lower reserve requirements on generation and transmission capacity, and improve the reliability of service to essential loads. Load management is particularly attractive because of its potential for conserving capital that would otherwise be required for new production and distribution plants. REA encourages rural systems to initiate load management programs to reduce the need for expensive

new power supply facilities. By smoothing system loads, expensive imported fuel can be saved while using more abundant domestic fuel. Load management programs during FY 82 and 83 include consumer education efforts that urge members to use less energy during high-cost peak demand hours; promotion of more efficient air conditioning and heating systems; cooperative scheduling of irrigation systems to reduce peak demand; and central electronic control of water heaters, air conditioners and appliances. REA makes loans for load control equipment after reviewing the technology and cost-benefit relationship for each system. To date, electric borrowers have invested nearly $100 million on positive load control systems.

Four categories of control systems are commonly used by REA borrowers for operation of generation, transmission, and distribution facilities. They include:

- o Supervisory Control and Data Acquisition (SCADA)
- o SCADA with Automatic Generation Control
- o Energy Management and Control
- o In-Plant or Direct Digital Control

With implementation of these controls, system dispatchers are able to monitor conditions in the power system grid continuously to maintain security and economic operations. There appears to be unprecedented demand for such controls.

Load Forecasting - REA has worked closely with the Oak Ridge National Laboratory in developing econometric methods of long-range forecasting of energy needs in rural areas and with the Electric Power Research Institute to improve forecasting techniques for distribution borrowers.

Technical Assistance. REA continues to help borrowers develop better management practices to reduce the need for Government assistance. A distribution expense comparison study and a distribution borrower statistical profile were prepared and distributed to all distribution borrowers to assist them in analyzing operations. REA has added a plant investment analysis to the comparison study which compares actual investment in plant with typical or expected investment for systems with similar characteristics. The analysis successfully identifies abnormal investment in plant. One spinoff of the comparison study is a merger model that estimates the financial effects of consolidation of electric systems. A power supply statistical profile was prepared and distributed to generation and transmission borrowers. REA continues to work with the rural electric systems to develop better productivity measurement systems.

In FY 82 a workshop was held by regional data processing centers established by REA borrowers to discuss REA requirements and recent developments in the computer industry. The work of the centers has encouraged borrower effectiveness in using data processing equipment, sharing computer programs,

and establishing adequate backup and control procedures. The result is a decrease in borrower dependence on federal assistance.

Financial Forecasting. Computer-assisted financial forecasting is now available to distribution borrowers through various data processing centers. More than 90 percent of borrowers are using the system to produce reports and do financial planning. In FY 83 REA eliminated its direct data processing assistance.

REA presented a four-day conference for new managers of borrower electric systems each year during FY 82 and 83. Managers were introduced to all facets of REA operations including what is expected of borrowers and what assistance can be obtained from REA.

REA provided assistance to borrowers in complying with federal legislation governing cogeneration and small power production. Emphasis on improving rate structures and equitable allocation of costs was continued, and 1981 data on distribution system economics were updated with respect to rate structure, cost allocations and area coverage. REA continued to maintain liaison with the U.S. Department of Energy in matters involving energy policy and regulations.

REA held one seminar each year during FY 82 and 83 for electric rate consultants. Each was attended by more than 100 consulting professionals, borrowers, and state regulatory personnel. The purpose of the seminars was to assure the consistency of borrower rate design with the objectives of national energy policy and changing economic developments.

Technical Standards. REA sets standards for distribution line construction and certain types of transmission line construction which insures the availability of suitable equipment and material at reasonable cost. The standardization has led to economies in construction, operation, and maintenance. The list of materials acceptable for use on borrower systems was updated each year in July and supplements were issued quarterly. The list contains 185 categories of material and equipment representing products by more than 200 manufacturers. During FY 83, 160 applications for inclusion were considered. REA makes a continuing effort to keep listed items current, to keep abreast of new products, and to influence the development of products applicable to rural electric systems.

During FY 82-83 REA contributed to several standards of the American National Standards Institute (ANSI) including the National Electrical Code and the National Electrical Safety Code. REA participated in 30 official interpretations of the safety code which had significant technical and economic impact on REA-supported construction. REA worked with ANSI to develop an international standard for control of radio and television interference from power lines. Rural consumers are particularly susceptible to interference due to the low signal strength of transmitting stations in distant cities. In FY 83 REA participated in locating the source of a severe radio noise condition on a borrower's system.

For several years REA has been involved in assisting borrowers and manufacturers in minimizing telephone influence factor (TIF) in distribution

transformers. The increased exposure of telephone systems to noise in rural areas can cause a telephone system to be unusable when TIF is high. REA has been instrumental in developing the modern TIF testing circuit and the limits on TIF presently applied to distribution transformers. Testing continues to weed out high-TIF transformers. In FY 83 REA visited one manufacturer, two distribution cooperatives, and a power supply cooperative to test more than 100 transformers.

Corrosion. REA continues to fight corrosion problems on underground distribution systems. Borrowers report significant corrosion of tinned copper neutral wires wound around underground power cable. The wires are part of the required current return path to provide safety in case of accidental dig-in. Underground cable resistant to deterioration has been installed in hostile environments, but early failures and excessive maintenance costs are occurring. This will be a continuing problem in that, because of environmental concerns, utilities install increasing amounts of underground facilities. Industrywide, about half the meter connections to new houses are served via underground cable. As of December 31, 1982, borrowers were operating 102,264 miles of underground distribution line.

Other corrosion work includes:

- Developing a galvanized iron coating for copper neutral wires.
- Participation on National Association of Corrosion Engineers technical committees.
- Participation in West Virginia University's Appalachian Underground Corrosion course.
- Evaluation of sacrificial anodes, rectifiers and other special materials.

REA also aided borrowers in determining which transformer will have the lowest lifetime cost.

Consumer Information. The increasing cost of electricity has resulted in consumer sensitivity to the electric supply. REA continues to urge borrowers to inform the public about what goes into their electricity rates, what causes them to increase, and what can be done to hold costs down. Wherever this informative effort is practical, greater consumer acceptance of potential cost increases has been the result.

TELEPHONE

About 4.5 million subscribers were receiving service from REA-financed systems at the end of December 1982. Of this total 84 percent were receiving one-party service, an increase from nearly 82 percent in 1981. The percent receiving service with eight parties or more decreased from 1.2 percent to 0.9 percent. Recent trends in party service in rural communities show this pattern:

Table 24. Percent of Subscribers by Grade of Service

Service	1978	1979	1980	1981	1982
1-party	73.8%	76.7%	79.4%	81.9%	84.2%
2-party	4.2	3.7	3.2	2.7	2.3
4- and 5-party	18.0	17.0	15.7	15.3	12.6
8-party (or more)	3.9	2.5	1.6	1.2	0.9

Upgraded service has resulted in an increase in long-distance calling and use of extension and push-button telephones. This, in turn, has increased telephone revenues. Average toll revenues per subscriber were $338 in 1982, up from $294 in 1981. Average local service revenue per subscriber was $176, up from $162.

First-Time Loans. During 1983 REA approved loans for 15 first-time borrowers. One was the Micronesian Telecommunications Corporation, which serves Saipan, Rota and Tinian in the South Pacific. The Micronesian loan totals $11.2 million and will support service to 4,703 subscribers, including initial service to 3,356 families. The loan makes possible the first reliable communications link from the Island of Rota to another location. Outside plant will be placed underground to stormproof it from the devastating typhoons that have destroyed island communications in the past.

REA also approved a loan to United Utilities, Inc., in Alaska to provide initial service to 20 bush villages. The $4.3 million loan will be used to provide service to 1,175 people.

During 1982 REA approved a loan of $28.5 million the ENMR Telephone Cooperative in Clovis, New Mexico. Funds were loaned to acquire facilities, and improve service for 3,491 subscribers and bring new service to 827 subscribers over 1,162 miles of line. This loan, together with a $26 million loan approved in 1981, will enable the cooperative to assist six counties in New Mexico the size of Maryland with density of less than two subscribers per mile of line.

Finances. Total operating revenues reported by borrowers in calendar year 1982 amounted to $2.4 billion compared with $2.0 billion in 1981. Toll service revenues were 64 percent of this total. The increase in revenues is a continuation of the trend toward upgrading service, ownership of toll lines by borrowers, and improved toll settlement contracts.

Following the Administration's policy of reducing borrower dependence on federal financing, REA has encouraged borrowers to seek outside financing for plant additions. In addition, REA has eliminated federal funding of

headquarters facilities, terminal equipment, and company vehicles. This stems from the Federal Communication Commission's proposal to deregulate new terminal equipment installed after March 1, 1981. Since subscribers rather than borrowers will provide the appropriate telephone equipment, loan funds are no longer appropriate for these purposes. The investment of loan funds in terminal equipment during 1982 represented 14.5 percent of all plant in service.

Borrower Net Worth. Borrowers' net worth increased by $269 million during 1982 and now represents 26 percent of total assets. Net worth has increased by 335 percent during the last 10 years, and the ratio of average net worth to assets has improved substantially.

Table 25. Net Worth of Telephone Borrowers

Year	No. of Borrowers Reporting	Reported Net Worth (in thousands)	Average Net Worth for all Borrowers (in thousands)	Net Worth as % Total Assets
1972	823	$ 472,227	$ 574	20.6%
1976	876	903,728	1,032	23.3
1981	949	1,781,941	1,877	25.3
1982	950	2,050,894	2,158	26.3

At the end of 1982 telephone plant in service totaled $8.4 billion, an increase of $850 million for the year. This represents an investment per subscriber of $1,854, a 7-percent increase over 1981.

Management. REA provided assistance to borrowers in the areas of loans, management, revenue requirements, regulatory matters, and legislation in an effort to make the most efficient use of loan funds and preserve the security of outstanding loans. REA has placed special emphasis on helping borrowers achieve better toll settlement arrangements, more efficient management, and new sources of revenue.

During 1982 and 1983 REA analyzed and commented on proposed changes in laws and regulations that affect rural telephone systems and the subscribers they serve. REA also followed structural changes in the industry as a result of the divestiture of the Bell System. Other efforts included studying the effect of the FCC access charge decision on rural telephone systems and their customers, commenting to the FCC on toll settlements and access charges, monitoring the impact of access charges on universal service, studying equal interconnecton for toll carriers, and analyzing the allocation of radio spectra for mobile satellite service.

During 1982 telephone borrowers were using more innovative leasing, switching, and management agreements. REA gave special attention to the impact of toll settlement arrangements, higher interest rates, new approaches to depreciation, computation of TIER, tax changes such as sale/leaseback arrangements, and detariffing customer-premised equipment.

During 1983 progressive telephone borrowers diversified into new telecommunications areas. REA reviewed numerous proposals, agreements and contracts under which subsidiaries or affiliates were established. REA also provided borrowers with financial analyses through the borrower management profile (a series of ratios that detail borrower operations), performed operations and maintainance studies for borrowers with financial problems, and analyzed borrower operations in conditions that might endanger loan security.

REA developed new methodology for making toll revenue projections to assist feasibility studies. Analyzing the effects of toll settlement changes, higher depreciation rates, alternative financing arrangements and removal of station equipment from the rate base were part of the effort. REA continued to monitor the quality of service borrowers are providing subscribers. REA conducted financial feasibility studies to determine borrowers' eligibility for various cellular market areas identified by FCC and studied the application of mobile satellite technology to rural telecommunications.

During 1982-1983 REA continued to review borrower operations to assure that REA loans are secure. The borrower management profile was updated each year to help the Washington office and field staff monitor borrower operations.

To keep personnel abreast of regulatory and legislative changes in the telecommunications industry, REA held two national conferences and participated in a number of seminars sponsored by the National Telephone Cooperative Association, the United States Independent Telephone Association, and State telephone associations.

Certification. REA is revising procedures to permit telephone borrowers to carry out certain REA-financed construction without being required to submit for specific approval items such as plans, specifications, engineering contracts, construction contracts, force account proposals and final closeout documents. The purpose of the revision is to simplify procedures and encourage more borrowers to assume responsibility for these activities.

Engineering and Standards. REA continues to work toward the standardization of specifications, designs, materials and construction techniques for borrower systems. Even though borrower systems upgrade operations continually to meet customer demands, approximately 16 percent of the loans made each year are to systems new to the REA program and in need of major improvement. The benefits of standardization include lower costs for equipment, materials, construction and installation; high-quality equipment performance; ease of maintenance; and reduced inventory. REA encourages manufacturers to develop rural telephone applications that reduce the cost of rural telephone service. Technological developments in telecommunications continue to accelerate and provide managers with opportunities to improve revenues and rural subscribers with a variety of innovative services.

REA borrowers are beginning to utilize data transmission systems to offer additional services that can be accomplished with minimal modifications to plant. Services include electric load management; gas, water and electric meter reading; data services such as marketing, weather information and banking; line testing; and alarm services. Some of these services can be provided when subscriber loop plant is not in use.

REA borrowers are purchasing Class 5 digital switching systems at a rate of more than two per week. In addition, remote switching centers operating with host Class 5 systems are being purchased at almost the same rate. The use of digital switching to replace electromechanical switching will make it easier to supply an array of services that will increase revenues, including interconnection arrangements and detailed usage information. The performance of digital switching systems has shown economic and operational advantages with features such as custom calling, performance monitoring and software changes. Field trials have been authorized for manufacturers of three new digital systems.

Foam insulation for telephone cable has been under study by REA and the industry for approximately five years. REA has just issued a new specification using this insulating material to conserve petroleum resources while maintaining quality cable plant.

REA field trials of lightwave systems using fiber optic cable have been successful; more are planned. One system has been installed for more than four years and provides highly reliable service. REA encourages the use of lightwave systems where they can be justified economically. A specification for fiber optic cable has been issued to give borrowers the opportunity to use this type of cable in high-density circuit routes. A microwave testing technique has been devised to test optical fiber links in lightwave transmission systems, with encouraging results.

Innovations in transmission equipment will improve telephone and data services in rural America. Digital and analog equipment provide voice and data transmission over paired cable, microwave radio and fiber optic cable. Responding to a growing interest in more circuit capability, REA developed guidelines for equipment to be applied to existing telephone cables and set engineering criteria for improved transmission quality on cables designed for higher capacity systems. The reliability of electronic equipment used in rural areas has increased manifold. Subscriber service over digital carrier systems is often more reliable than voice frequency circuits. Cellular radio can be useful in some rural areas in lieu of conventional wire lines. REA is working with equipment suppliers and consulting engineers to determine the feasibility of applications. New digital transmission techniques and equipment are being studied to provide an integrated digital services network in rural telephone systems.

Comments have been received on the electrical protection portion of the REA telephone engineering and construction manual. A comprehensive guideline covering electrical protection of central office equipment has been issued which will provide a standard grounding system for central digital offices and remote switching apparatus.

Issues associated with the deregulation of customer-premises equipment and changes in customer-premises wiring have caused confusion among borrowers. To help, REA issued "Deregulation of Customer Premises Equipment and Wiring -- Technical Considerations" to borrowers.

An update of engineering practices using the serving area value engineering (SAVE) technique of outside plant design was completed in 1982 and has gained acceptance among borrowers. SAVE is a rural adaptation of an urban technique designing plant by geographic area to provide sufficient capacity for long-term growth. During 1983 comments from industry and others were being evaluated. With the reduction in computer costs REA is finding that an increasing number of consulting engineers are developing their own computerized SAVE techniques.

Potential applications for using small remote digital switches as an alternative to reinforcing existing pairs have increased. At the request of several borrowers, REA studied the problem to determine if it were cost effective to finance this design and construction technique. Using a computerized design process, REA engineering criteria and a borrower's actual application, eleven alternative designs were studied. As a result, several designs were found that reduce overall costs, the best reducing costs by ten percent. In presenting this study to borrowers, REA demonstrated engineering techniques that will reduce the number of alternate designs that need to be studied in detail.

In spring 1983 NASA asked REA to support its petition to FCC to allocate frequency spectrum for mobile satellite service. Since this could be of great benefit to rural America, REA filed a supporting petition. The following three satellite services have potential application in rural communications:

1. Rural satellite inter-LATA trunking. REA is studying a satellite system capable of supporting four million rural subscribers through 1,000 rural telephone companies terminating at 161 LATA points of presence. The system could operate in a demand assignment multiple access mode on either a national or regional basis and provide voice frequency trunking to bypass the Class 1, 2, and 3 switching centers in the terrestrial network.

2. Rural satellite subscriber loops. This application could connect individual customers to their local Class 5 office, keeping subscribers in one company separate from those in another.

3. Rural satellite mobile radio service. This system could provide mobile radio service to rural subscribers and operate within mobile urban cellular systems as well. It also could support fixed station rural applications.

Organizations interested in telecommunications satellite technology were invited to discuss ideas they would like to foster. In cooperation with representatives of rural trade associations, REA heard 12 presentations in June and July 1983. After evaluating the information, REA decided to pursue the inter-LATA trunking application. Subcommittees studying engineering, financial, legal and regulatory aspects have been formed and charged with determining whether the trunking is feasible for REA to finance and borrowers to own and operate.

Participation continues with the Electronic Industries Association, the Institute of Electrical and Electronics Engineers and other industry associations in the development of national standards related to telecommunications. Quality-of-service guidelines have been developed and used to determine performance at selected borrower systems throughout the country.

Loans. During 1983, 90 REA loans and 66 Rural Telephone Bank loans were approved. There were 24 rescissions of prior year loans. The following tables describe the status of the telephone program.

Table 26. Telephone Loans by State

FY 82

State	REA Loans		Rural Telephone Bank Loans	
	No.	Amount	No.	Amount
United States	92	$249,345,000	77	$184,774,800
Alabama	6	11,261,000	3	7,654,500
Alaska	1	1,504,000	1	415,800
Arizona			1	26,250,000
Arkansas	1	4,232,000	1	7,077,000
California	3	3,240,000	3	8,092,350
Colorado	3	7,820,000	2	6,282,150
Florida			2	3,160,500
Georgia	2	3,017,000	3	13,636,350
Idaho	2	1,723,000	1	1,358,700
Illinois	2	745,000	2	1,531,950
Indiana	3	3,251,000	5	2,294,250
Iowa	2	2,721,000	4	3,703,350
Kansas			1	850,500
Kentucky	2	18,127,000		
Louisiana	1	6,426,000	1	1,575,000
Maine	1	276,000	1	103,950
Michigan	3	3,509,000	5	19,205,550
Minnesota	8	12,007,000	3	4,798,500
Mississippi	1	1,626,000	1	781,200
Missouri	3	6,110,000		
Montana	4	29,454,000		
Nebraska	5	7,919,000		
New Hampshire	1	134,000	2	6,631,800
New Mexico	4	34,965,000		
New York			1	1,119,300
North Carolina	3	8,463,000	1	4,222,050
North Dakota	5	14,759,000		
Ohio	1	1,250,000		
Oklahoma	4	15,760,000	3	5,554,500
Oregon	1	415,000	2	2,943,150
Pennsylvania	1	1,448,000	4	15,934,800
South Carolina			1	1,606,500
South Dakota	2	2,117,000		
Tennessee	3	15,262,000	2	6,420,750
Texas	4	13,520,000	4	7,384,650
Vermont	1	898,000	2	3,204,600
Washington	2	3,229,000	1	736,050
West Virginia	1	324,000	2	7,212,450
Wisconsin	6	11,833,000	12	13,032,600

Table 27. Telephone Loans by State

FY 83

State	REA Loans		Rural Telephone Bank Loans	
	No.	Amount	No.	Amount
United States	90	$250,758,000	66	$171,615,150
Alabama	2	3,118,000	4	9,740,850
Alaska	2	9,207,000		
Arkansas	1	1,400,000		
California	3	7,237,000	1	791,700
Florida			1	12,575,850
Georgia	5	18,156,000	3	14,784,000
Idaho	2	2,445,000	1	5,702,550
Illinois			1	696,150
Indiana	2	965,000	1	5,540,850
Iowa	8	4,614,000	5	3,638,250
Kansas	2	2,916,000	1	458,850
Kentucky	2	7,766,000	2	3,305,400
Louisiana	1	5,954,000	1	8,047,200
Maine	1	592,000	3	11,375,700
Michigan	2	5,917,000	1	2,628,150
Minnesota	5	5,237,000	5	7,056,000
Mississippi	1	3,458,000		
Missouri	2	14,028,000	3	8,271,900
Montana	1	7,076,000	1	123,900
Nebraska	5	17,282,000	3	6,155,000
Nevada	1	2,368,000		
New Hampshire			1	2,205,000
New Mexico	3	1,349,000	1	3,134,250
New York	2	977,000	3	4,747,050
North Carolina	2	4,147,000	3	16,104,900
Ohio	1	662,000		
Oklahoma	1	3,000,000	3	8,928,150
Oregon	5	9,589,000	2	4,297,650
Pennsylvania	1	4,151,000	1	2,058,000
South Carolina			2	6,495,300
South Dakota	5	12,805,000		
Tennessee	1	337,000	1	675,150
Texas	6	26,694,000	2	4,382,700
Utah	4	11,472,000	2	1,669,500
Vermont			1	309,750
Washington	3	4,278,000		
West Virginia	2	7,978,000	1	5,385,450
Wisconsin	4	2,221,000	5	8,866,200
Wyoming			1	1,463,700
Puerto Rico	1	30,150,000		
Micronesia	1	11,212,000		

Table 28. Telephone Loan Guarantees

FY 82

State	No.	Amount
United States	4	$76,979,000
Arizona	1	21,139,000
Arkansas	1	10,500,000
Kentucky	1	12,840,000
Missouri	1	32,500,000

FY 83

State	No.	Amount
United States	2	$53,949,000
Oregon	1	18,228,000
Pennsylvania	1	35,721,000

Table 29. Telephone Fund Advances and Construction Progress

	1982	1983
Advances		
REA Loans	$238,574,720	$181,910,863
RTB Loans	112,232,127	87,230,769
Loan Guarantees	64,685,544	31,249,740
Estimated route miles of line constructed or improved	19,000	25,000
Estimated subscribers receiving new or improved service	165,000	175,000

Through 1983 borrowers had received advances under the REA loan program totaling $5.5 billion. Total insured loans, Bank loans and loan guarantee commitments provided for construction and improvement of 905,000 miles of line and new or improved dial service to 5.2 million subscribers.

Table 30. Cumulative Repayments - REA Telephone Loans

	1982	1983
Payments:		
Principal (including payments ahead of schedule)	$944,777,540	$1,034,426,650
Interest	724,451,773	805,577,678
Payments ahead of schedule	26,976,370	30,331,663
Payments overdue more than 30 days	113,522	353,001

Table 31. Telephone Loans
(Cumulative Figures)

Date	Net REA Loans	Net Bank Loans	Loan Guarantee Commitments	Construction Authorized By Total Loans to Date: Route Miles of Line To Be Constructed or Improved	Construction Authorized By Total Loans to Date: Subscribers to Receive New or Improved Service
1950 - 1963	$ 990,992,987			469,805	1,859,873
1964	1,078,444,387			492,700	1,964,601
1965	1,167,902,734			511,956	2,043,900
1966	1,266,041,761			519,156	2,116,895
1967	1,380,557,341			534,200	2,202,030
1968	1,499,674,227			545,493	2,271,874
1969	1,623,413,120			552,927	2,364,493
1970	1,746,578,450			564,771	2,450,421
1971	1,870,028,433			579,233	2,543,516
1972	2,002,536,718	$ 90,954,800		596,119	2,698,337
1973	2,147,368,193	240,913,490		616,274	2,854,530
1974	2,287,396,227	397,344,290		636,755	3,026,688
1975	2,487,335,227	557,532,080	$200,000,000	693,064	3,494,543
1976	2,737,299,979	737,202,830	381,615,000	742,225	3,842,606
1977	3,032,569,126	923,744,623	393,873,000	768,097	4,093,482
1978	3,298,965,598	1,076,923,873	391,918,000	790,669	4,318,651
1979	3,548,961,362	1,207,676,173	311,918,000	815,975	4,497,419
1980	3,793,445,662	1,367,234,097	417,903,000	835,464	4,672,647
1981	4,032,971,525	1,520,511,682	469,946,000	859,457	4,899,384
1982	4,272,115,929	1,694,587,539	629,335,000	888,000	5,091,000
1983	4,517,363,859	1,860,593,433	673,647,000	905,000	5,219,000

Table 32. Telephone Construction
(Cumulative figures)

Date	REA Funds Advanced To Borrowers	Bank Funds Advanced To Borrowers	Funds Advanced To Borrowers Under Guarantee	Construction Completed: Route Miles of Line Constructed or Improved	Construction Completed: Subscribers Receiving New or improved Service
1950 - 1963	$ 792,465,840			414,271	1,523,406
1964	876,695,138			431,475	1,626,590
1965	957,487,449			460,141	1,726,359
1966	1,039,691,323			482,005	1,825,861
1967	1,142,941,570			499,179	1,944,334
1968	1,242,998,913			533,559	2,067,025
1969	1,348,878,422			554,190	2,184,575
1970	1,484,279,069			547,322	2,334,511
1971	1,621,729,749			568,051	2,428,868
1972	1,754,097,487	$ 587,923		583,922	2,574,814
1973	1,876,472,536	45,642,259		603,747	2,725,030
1974	1,998,530,418	144,350,892		627,483	2,919,113
1975	2,141,897,321	274,228,758	$ 5,528,683	652,884	3,045,292
1976	2,284,760,323	387,163,911	45,588,544	683,648	3,283,223
1977	2,492,089,204	486,044,526	95,045,815	726,271	3,599,069
1978	2,637,142,419	628,341,716	138,360,625	748,361	3,877,060
1979	2,835,240,540	758,881,783	184,760,170	771,951	4,072,709
1980	3,074,345,739	958,826,018	246,829,859	806,951	4,324,709
1981	3,355,041,322	1,107,425,390	283,524,456	837,000	4,625,000
1982	3,593,616,042	1,219,657,517	348,210,000	856,000	4,790,000
1983	3,775,526,906	1,313,060,353	379,459,740	881,000	4,940,000

Rural Telephone Bank. The Rural Telephone Bank was established in May 1971 to supplement REA loans in providing telephone systems with capital for furnishing and improving telephone service in rural areas. During 1983 the Bank approved 66 loans totaling $171.6 million. From the Bank's inception, loans to 524 borrowers have been approved, totaling nearly $900 billion with a composite interest rate of 8.1 percent. At the end of FY 83 no Bank borrower was delinquent.

The Government purchased $30 million of Class A stock for the Bank during 1983, bringing the cumulative total to $360 million. Borrowers purchased $3.5 million in Class B stock, bringing that cumulative total to $107 million. Class C stock accumulations through 1983 amounted to $1.6 million.

Earnings. REA's retained earnings at the end of FY 81 totaled $56.8 million. At the end of FY 83 they were $61.6 million.

CATV. In February 1979 the White House rural development initiative required that funding be provided to help rural telephone systems and other eligible organizations provide commercial television to rural residents. The Rural Communication Development Fund was established pursuant to the Secretary's Memorandum No. 1988 in May 1979 transferring certain financing authorities from the Farmers Home Administration to REA to finance and administer community antenna television services in rural areas. Since then Federal policy has changed. Recognizing that sufficient capital is available from private sources, Federal funding is no longer required. While no new funding has been made, REA administers the existing loans. Through 1983, cumulative insured, direct loans of $26.7 million served 43,433 customers, and guarantee commitments of $24.0 million served 57,807 customers.

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